Document No. 23

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return: Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $1.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: *Pennington County*

2. Designation of issue: *$1,160,000 Juvenile Services Center Certificates of Participation*

3. Date of issue: *March 10, 2004*

4. Purpose of issue: refunding Series 1994 Certificates of Participation

5. Type of bond: certificates of participation evidencing undivided interests in lease payments to be made by the Western South Dakota Juvenile Services Center Compact

6. Principal amount and denomination of bond:

$1,160,000 in denominations of $5,000 or any integral multiple thereof

7. Paying dates of principal and interest:

See attached Official Statement

RECEIVED
MAR 15 2004
S.D. SEC. OF STATE
130040

Amortization schedule:

See attached Official Statement

9. Interest rate or rates, including total aggregate interest cost:

See attached Official Statement

This is to certify that the above information pertaining to

Pennington County

is true and correct on this 10th day of March, 2004.

LINDQUIST & VENNUM, as
Bond Counsel

By: Elizabeth Aby

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum, 4200 IDS Center, Minneapolis, Minnesota (612/371-3535).

Form: SOS REC 050 08/84

NEW ISSUE **Rating: Moody's Aa3 see "Rating" herein**

In the opinion of Bond Counsel interest on the 2004 Certificates (i) is excluded from gross income for federal income tax purposes, (ii) will not be treated as a specific preference item for purposes of the individual and corporate alternative minimum taxes, and (iii) is required to be included in the calculation of "adjusted current earnings" to be used in computing corporate "alternative minimum taxable income" for purposes of Sections 55 and 59A of the Internal Revenue Code of 1986, as amended (the "Code"). Assuming compliance by the Western South Dakota Juvenile Services Center Compact and Pennington County, with certain covenants relating to the use and investment of the proceeds of the 2004 Certificates, interest on the 2004 Certificates will continue to be excludable from gross income for federal income tax purposes except to the extent set forth above. The 2004 Certificates will be "qualified tax-exempt obligations" designated by the Western South Dakota Juvenile Services Center Compact for purposes of Section 265(b)(3)(B) of the Code. See "Tax Exemption" herein.

$1,160,000
JUVENILE SERVICES CENTER CERTIFICATES OF PARTICIPATION
Series 2004
(Limited Tax General Obligation)
Evidencing Undivided Interests in
Lease Payments to be Made by the
WESTERN SOUTH DAKOTA JUVENILE SERVICES CENTER COMPACT
Pursuant to a Lease Agreement with
PENNINGTON COUNTY

Dated: March 1, 2004 **Due**: May 1 and November 1, as shown below

The Certificates of Participation, Series 2004 (the "2004 Certificates") relating to the Western South Dakota Juvenile Services Center are being issued pursuant to Chapters 1-24 and 24-11, South Dakota Codified Laws, and represent proportionate interests in payments to be made by the Western South Dakota Juvenile Services Center Compact, South Dakota (the "Compact") under a Lease Agreement, dated as of October 1, 1994, as amended and supplemented by the First Amendment to Lease Agreement, dated as of November 1, 2000 and the Second Amendment to Lease Agreement, dated as of February 1, 2004 (the "Lease") with Pennington County (the "County"). The County, pursuant to a Trust Agreement, dated as of October 1, 1994, as amended and supplemented by the First Supplemental Trust Agreement, dated as of November 1, 2000, and the Second Supplemental Trust Agreement, dated as of February 1, 2004 (the "Trust Agreement"), will assign its rights to receive Lease Payments under the Lease to the Trustee for the benefit of the Holders of the Certificates.

Under the Lease, the County, as one of the participants in the Compact, has agreed to pay a minimum annual fee which is intended to provide the Compact with sufficient revenue to make all Lease Payments as they become due.

The 2004 Certificates will be issued pursuant to a book-entry system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. There will be no distribution of the 2004 Certificates in certificate form to the ultimate purchasers (the "Beneficial Owners") except as provided herein. See "THE CERTIFICATES" herein. Interest on the 2004 Certificates will be payable on May 1 and November 1 of each year, commencing November 1, 2004, by check or draft mailed by U.S. Bank National Association, Saint Paul, Minnesota, or its successor, as paying agent, transfer agent and registrar (the "Operations Agent") to the Owners of record thereof as of the close of business on the fifteenth day (whether or not such day is a Business Day) of the month preceding such payment at the addresses appearing in the certificate register maintained by the Operations Agent. Principal of the 2004 Certificates is payable at maturity upon surrender thereof at the designated office location of Operations Agent. So long as DTC or its nominee is the registered owner of the 2004 Certificates, disbursement of payments of principal and interest to DTC is the responsibility of the Operations Agent and disbursement of such payments to the Beneficial Owners is the responsibility of DTC, as more fully described herein.

MATURITY SCHEDULE

(May 1) Maturity	Amount	Interest Rate	(May 1) Maturity	Amount	Interest Rate
2005	$115,000	1.25%	2010	$130,000	2.70%
2006	120,000	1.50	2011	135,000	2.95
2007	125,000	1.80	2012	140,000	3.20
2008	125,000	2.15	2013	145,000	3.40
2009	125,000	2.45%			

(Price -- 100% plus Accrued Interest from March 1, 2004)

The 2004 Certificates are offered when, as and if issued subject to the opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed on for the County, the Compact and the Corporation by Glenn Brenner, Deputy State's Attorney, and for the Underwriter by its counsel, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. It is expected that the 2004 Certificates will be made through facilities of The Depository Trust Company on or about March 10, 2004, against payment therefor.

Subject to prevailing market conditions the Underwriter may, but is not obligated to, effect secondary market transactions. The Underwriter is not obligated, however, to repurchase any of the 2004 Certificates. See the caption "UNDERWRITING" herein.

RBC DAIN RAUSCHER INC.

The date of this Official Statement is February 25, 2004

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the 2004 Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2004 Certificates, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been furnished by the County and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2004 Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

The 2004 Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in the Securities Act of 1933.

TABLE OF CONTENTS

Page

INTRODUCTORY STATEMENT 1
RISK FACTORS 2
THE COMPACT 2
THE COUNTY 3
THE CERTIFICATES 3
PLAN OF FINANCING 7
SOURCES AND USE OF FUNDS 7
COMPACT AGREEMENT 8
THE LEASE 9
THE TRUST AGREEMENT 12
THE GROUND LEASE AGREEMENT 13
TAX EXEMPTION 13
LITIGATION AND CLAIMS 14
ENFORCEABILITY OF OBLIGATIONS 14
FINANCIAL STATEMENTS 15
RATING 15
UNDERWRITING 15
MISCELLANEOUS 15

APPENDIX A – SUMMARY OF COUNTY INFORMATION
APPENDIX B – FINANCIAL STATEMENTS
APPENDIX C – FORM OF BOND COUNSEL OPINION
APPENDIX D – DEFINITIONS OF CETAIN TERMS

OFFICIAL STATEMENT

relating to

$1,160,000
JUVENILE SERVICES CENTER CERTIFICATES OF PARTICIPATION
Evidencing Undivided Interests in
Lease Payments to be Made by
WESTERN SOUTH DAKOTA JUVENILE SERVICES CENTER COMPACT
Pursuant to a
Lease Agreement with
PENNINGTON COUNTY

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information regarding the Certificates of Participation (the "2004 Certificates") to be issued in the aggregate principal amount of $1,160,000. The 2004 Certificates represent undivided interests of the registered owners thereof (collectively, the "Certificate Holders") in lease payments (the "Lease Payments") to be made by Western South Dakota Juvenile Services Center Compact, South Dakota (the "Compact"), with respect to certain real property and facilities improved and constructed thereon pursuant to a Lease Agreement, dated as of October 1, 1994, as amended and supplemented by the First Amendment to Lease, dated as of November 1, 2000 and the Second Amendment to Lease, dated as of February 1, 2004 (the "Lease") between the Compact, as lessee, and Pennington County (the "County"), as lessor. The 2004 Certificates are issued pursuant to a Trust Agreement, dated as of October 1, 1994, as amended and supplemented by the First Supplemental Trust Agreement, dated as of November 1, 2000, and the Second Supplemental Trust Agreement, dated as of February 1, 2004 (the "Trust Agreement") by and between the County and U.S. Bank National Association (the "Trustee").

The $1,835,000 1994 Certificates were issued to acquire, construct and equip the juvenile services center (the "Project"). The $2,915,000 2000 Certificates were issued to acquire, construct and equip an addition to the juvenile services center. The $1,160,000 2004 Certificates are being issued to refund the outstanding 1994 Certificates and pay costs of issuance of the 2004 Certificates. The 1994 Certificates, the 2000 Certificates and the 2004 Certificates are herein referred to as the "Certificates." The County has assigned to the Trustee for the benefit of the Certificate Holders, among other things, (i) its rights to amounts payable by the Compact under the Lease and (ii) its rights and remedies in the event of default under the Lease. In accordance with the Lease, the Compact is required to pay Lease Payments to the Trustee in specified amounts which are designed to be sufficient in both time and amount to pay, when due, principal of and interest on the Certificates.

Brief descriptions of the Compact, the County, the Certificates, the Compact Agreement, the Lease, the Trust Agreement and the Ground Lease Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Compact Agreement, the Lease, the Trust Agreement and the Ground Lease Agreement are qualified in their entirety by reference to such documents, copies of which are available from the Trustee (the "Trustee"), and all references to the Certificates are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the above-mentioned documents. Terms not defined herein have the same meanings as in the respective documents.

RISK FACTORS

There follows some of the identifiable risks which should be considered when making an investment decision regarding the 2004 Certificates. Such listing is not, and is not intended to be, exhaustive.

Levy Limitations

The 2004 Certificates are payable from Lease Payments to be made by the County. The County will be required under the Lease to levy a tax under SDCL Section 7-25-1 to make the Minimum Fee Payment (as hereinafter defined). No representation or assurance can be made that the proceeds from such tax levy will be collected in a timely manner or in sufficient amounts to pay the principal of and interest on the Certificates when due. In the event the taxable valuation of the County were to decline or economic conditions were to cause a significant increase in delinquencies, the collections from the tax levy under SDCL Section 7-25-1 could be inadequate to pay the principal of and interest on certain outstanding certificates of participation issued by the County. See "THE CERTIFICATES—Levy Limitations" herein and Appendix A "Debt Limit."

The tax levy for general purposes by a county in the State cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to $.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. The revenue limitations may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by the registered voters of the County. The County levy subject to the general purpose and county building limitations collectible in 2003 is $4.9092 per thousand dollars of taxable valuation, and the Lease Payments are to be paid from the total amount of revenue derived from property taxes for county purposes. For each $10,000 of Lease Payment required, the County would need to absorb .0023 per thousand dollars of taxable valuation (based on taxes collectible in 2003) to remain within the levy limitations imposed by South Dakota Codified Laws, Section 10-13-35. The County may use the proceeds of both the general purpose levy and the county building levy to pay Lease Payments.

Government Regulation

In addition, future governmental regulation of and requirements relating to juvenile services centers such as the Project may cause an increase in operating costs or necessitate additional capital improvements thereby affecting the ability of the Compact to satisfy those regulations and requirements and the ability of the County and the Compact to make timely and adequate Lease Payments.

THE COMPACT

The County and the Counties of Lawrence, Meade, Butte, Custer, Fall River and Harding, South Dakota (the "Participants") entered into the Western South Dakota Juvenile Services Center Compact Agreement dated as of August 6, 1993 (the "Compact Agreement") pursuant to which the County and the Participants agreed to act jointly and cooperatively in providing juvenile services facilities within the County and to establish a separate legal entity to act on their behalf in so doing.

The Compact is a nonprofit corporation duly organized and existing in good standing under and by virtue of the laws of the State of South Dakota. The Compact is authorized under the Constitution and laws of the State of South Dakota, particularly Chapters 1-24 and 24-11, South Dakota Codified Laws,

the Compact Agreement, its articles of incorporation and bylaws, to enter into the Lease and to perform all of its obligations under the Lease.

The Compact is comprised of 7 members, 1 elected representative of each Participant and 1 elected representative of the County. The Compact will cease to exist as a corporation upon the termination of the obligations under the Lease.

THE COUNTY

Pennington County, South Dakota (the "County") is a county and political subdivision duly organized and existing under the Constitution and laws of the State of South Dakota.

For more information about the County, see "APPENDIX A" attached hereto.

THE CERTIFICATES

Security and Source of Payment

Each Certificate represents a proportionate interest of the Holder thereof in payments to be made by the Compact under the Lease with the County.

Under the Lease, confirmed by resolution duly adopted by the County Board of Commissioners, the County has agreed to pay a minimum annual fee (the "Minimum Fee Payment") which is intended to provide sufficient revenue to make all Lease Payments as they become due in the event the Participants fail to pay their annual minimum fees assessed under the Compact Agreement.

The payment of the Minimum Fee Payment is an obligation of the County. The County has pledged the revenues received from the Building Fund Levy under SDCL Section 7-25-1 to the payment of the Minimum Fee Payment. (See "THE CERTIFICATES--Building Fund Levy-Certificates" herein.) The County, to the extent allowable by statute, is obligated to levy annually at a rate which will provide sufficient funds to pay the Minimum Fee Payment. To the extent that the Building Fund Levy does not raise sufficient revenue to pay the Minimum Fee Payment, the County will use other general revenue, to the extent available, to pay the Minimum Fee Payments.

The County has pledged and assigned to the Trustee its rights under the Lease (including its right to receive Lease Payments from the Compact) as security for the payment of the principal of and interest on the Certificates.

Limited Nature of the Certificates

The Certificates shall not constitute a debt of the Participants or the County within the meaning of any constitutional or statutory limitation; shall not constitute or give rise to a charge against the Participants' or the County's general credit and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Participants or the County.

Levy Limitations

The tax levy for general purposes by a county in South Dakota cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to 90¢ per thousand dollars of taxable valuation for county buildings. The County may use the proceeds of both the general purpose levy and the county building levy to pay Lease Payments. The County combines these levies as the consolidated levy which for the 2003 tax year is $4.9092 per thousand dollars of taxable valuation.

Book-Entry Only System

Information concerning The Depository Trust Company, New York, New York ("DTC") and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County, the Compact, the Underwriter or the Trustee.

Certificates in Book-Entry Form

Beneficial ownership in the 2004 Certificates will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC. If the 2004 Certificates are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under "Discontinuance of DTC Services", the following discussion will not apply.

DTC and Its Participants

DTC will act as securities depository for the 2004 Certificates. The 2004 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the 2004 Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company, organized under the laws of the State of New York, a Member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC or its agents hold securities that its participants ("Participants") deposit with DTC or its agents. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts thereby eliminating the need for physical movement of securities Certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2004 Certificates under the DTC System must be made by or through Direct Participants which will receive a credit for the 2004 Certificates on DTC's records. The ownership interest of each actual purchaser of a Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in

2004 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in 2004 Certificates, except in the event that use of the Book-Entry System for such 2004 Certificates is discontinued.

To facilitate subsequent transfers, all 2004 Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2004 Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Certificates. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 2004 Certificates are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2004 Certificates. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2004 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2004 Certificates will be made to DTC. DTC's practice is to credit Direct Participant's accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuance of DTC Services

DTC may discontinue providing its services as securities depository with respect to 2004 Certificates at any time by giving notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be authenticated and delivered.

The County may, as provided in the Lease, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2004 Certificates will be authenticated and delivered for the 2004 Certificates.

THE INFORMATION IN THIS SECTION HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, THE TRUSTEE, THE CORPORATION OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION

SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE ISSUER, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR OTHER PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE 2004 CERTIFICATES, OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS.

Interest, Maturity, Place of Payment, Form of 2004 Certificates

The 2004 Certificates will bear interest from February 1, 2004, at the rates per annum set forth on the cover page of this Official Statement. Interest with respect to the 2004 Certificates will be payable on May 1 and November 1 of each year, commencing November 1, 2004. Interest on the 2004 Certificates shall be calculated on the basis of a 360 day year of twelve 30 day months. The 2004 Certificates will mature as set forth on the cover page hereof and will be subject to prior redemption as hereinafter stated. The principal with respect to the 2004 Certificates will be payable at the principal office of the Trustee. Interest will be paid by check or draft to the registered owners of the 2004 Certificates at their registered addresses. The 2004 Certificates will be issued in definitive form as fully registered 2004 Certificates in the denomination of $5,000 or any integral multiple thereof.

Optional Redemption Prior to Maturity

The 2004 Certificates are not subject to optional redemption prior to maturity.

Mandatory Redemption Prior to Maturity

The 2004 Certificates will be subject to redemption as a whole, but not in part, on any interest payment date, at the par value of the principal amount thereof, plus interest accrued and unpaid to the date fixed for redemption, from moneys received for damage to, destruction of or condemnation of the Project, as more particularly described in the Trust Agreement and Lease.

Notice of Redemption and Payment

Notice of any redemption identifying the particular issue of Certificates or portions thereof to be redeemed will be given by an Authorized Newspaper, at least once not more than thirty (30) days nor less than fifteen (15) days prior to the redemption date. Such notice shall also be mailed by registered or certified mail to the holder of each such 2004 Certificate at the address shown on the registration books, not less than thirty (30) days prior to the redemption date. Failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of any 2004 Certificate as to which notice was properly mailed.

Additional Parity Certificates

Additional Certificates may be issued on a parity with the Certificates to provide funds for the payment of the cost of (i) any additions, repairs or improvements to the Project, (ii) any additions, repairs or improvements to the Project if so ordered by the United States of America or the State of South Dakota and (iii) to refund outstanding Certificates.

There are no tests or other requirements to be satisfied if the Additional Certificates are issued to satisfy orders of the United States of America or the State of South Dakota. However, to finance the costs of any other additions, repairs or improvements to the Project by the issuance of Additional Certificates, a written report of an Independent Accountant must be filed with the Trustee stating that the proceeds from the maximum annual ninety cents tax levy (the "Building Fund Levy") to be imposed by the County, based on current property valuations, plus any additional County funds pledged to the payment of principal of and interest on the 1994 Certificates, the 2000 Certificates and the 2004 Certificates will be more than 110% of the maximum total principal and interest requirements on all Outstanding Certificates plus the principal and interest requirements for the proposed Additional Certificates for any fiscal year plus the maximum total principal and interest requirements on all other outstanding notes, bonds, certificates or evidences of obligation secured by the Building Fund Levy (such as the 1994 Certificates, the 2000 Certificates and the 2004 Certificates).

Before issuing any Additional Certificates to refund Outstanding Certificates, there shall be filed with the Trustee a report of an Independent Accountant that the proceeds of the Additional Certificates (or any investment thereof) plus other available moneys will be sufficient to pay the principal of, redemption premium, if any, and interest accrued on the Outstanding Certificates. In addition, if less than all of the Outstanding Certificates are to be refunded, the maximum principal and interest requirements on the Outstanding Certificates (calculated as if the Additional Certificates being issued were outstanding and the 2000 Certificates and the 2004 Certificates being refunded were not outstanding) shall not exceed the maximum principal and interest requirements on Outstanding Certificates for any fiscal year (calculated as if such Additional Certificates had not yet been issued and such Certificates had not yet been refunded), provided that this requirement need not be satisfied if no prior Certificates remain outstanding so long as the Building Fund Levy plus any additional County or Compact funds or revenues pledged to payment of principal of and interest on the Certificates is projected to be more than 110% of maximum total principal and interest requirements (calculated as if the Additional Certificates being issued were Outstanding and the Certificates being refunded were not Outstanding and including all other outstanding notes, bonds, certificates or evidences of obligation secured by the Building Fund Levy (such as the Certificates and any other certificates issued by the County) for any subsequent fiscal year. In all circumstances where Additional Certificates are to be issued to refund Outstanding Certificates, the Trustee must receive an opinion of Bond Counsel that the Additional Certificates will not prejudice the exemption from federal income taxation of the interest on any Certificates.

PLAN OF FINANCING

The proceeds of the 2004 Certificates, together with other funds made available by the Compact, will be used to refund the 1994 Certificates and to pay costs of issuance of the 2004 Certificates.

SOURCES AND USE OF FUNDS

The proceeds of the sale (other than accrued interest) of the 2004 Certificates, together with other available funds held by the Trustee, and the uses of such proceeds and other funds are estimated as follows:

Sources of Funds	
Principal amount of 2004 Certificates	$1,160,000
Total Sources of Funds	$1,160,000
Uses of Funds	
Deposit to Escrow Account	$1,105,000
Cost of Issuance (including underwriters' discounts)	55,000
Total Uses of Funds	$1,160,000

COMPACT AGREEMENT

The following is a summary of certain provisions of the Compact Agreement:

The Compact was created between the County and the Participants pursuant to SDCL Chapters 1-24 and 24-11. The Compact Agreement establishes a joint and cooperative undertaking of the County and the Participants to facilitate the acquisition of juvenile services facilities to be located within the County.

The Compact is authorized by the Compact Agreement to act on behalf of the County and the Participants in entering into the Lease with the County. The Compact Agreement shall terminate upon termination of the Lease in accordance with its terms, and shall not otherwise be terminable without consent of the Trustee, and in no event shall the Compact Agreement be terminable while the 1994 Certificates are outstanding. Upon termination of the Compact Agreement, the juvenile services facilities leased by the Compact in connection with the Lease and any funds held in connection therewith shall remain with or be sold, conveyed and transferred to the County.

The Compact shall be responsible for the operation and maintenance of the Project, including providing adequate insurance coverage and causing all operation, maintenance and similar obligations of the Compact under the Lease to be performed.

The County, pursuant to the Lease and as confirmed by resolution duly adopted by the County, agrees to levy a tax pursuant to SDCL Section 7-25-1, in an amount sufficient, within the limitations established by law, and for the purpose of paying all payment obligations of the Compact pursuant to the Compact Agreement and the Lease, and to take all other actions necessary to provide moneys for the payment of the Lease Payments, from sources of the County lawfully available for such purpose. Certain of the Participants, the Counties of Harding and Lawrence, have agreed to pay all of their proportionate share of the construction costs of the Project in advance with such up-front payment to be made to the Compact by November 24, 2000. In addition, the County will contribute a partial up front payment of $144,380 to pay construction costs of the Project. All remaining Participants, the counties of Butte, Custer, Fall River, Meade and the balance of Pennington County have elected not to pay the up-front assessment in full and have agreed to pay a proportionate share of the Lease Payment based upon each such county's population of the counties which elected not to pay all of their up-front assessment. Butte County's share will be 6.69%; Custer County's share will be 5.21%; Fall River County's share will be 6.2%; Meade County's share will be 18.47% and Pennington County's share will be 63.43%. Any deficiency in the amount due or any delay in the payment of such "annual minimum fee" under the Compact Agreement would necessitate the County using its Building Fund Levy under SDCL Section 7-25-1 to make the necessary payment.

The Compact Agreement provides for the Compact to house, support and maintain juveniles of the Participants in the same manner as those held in the custody of the County.

Each Participant has agreed to include in its annual budget for each fiscal year monies sufficient to pay and for the purpose of paying all payment obligations of each Participant (such as the "annual minimum fee") and to levy a tax pursuant to SDCL Section 7-25-1 in an amount sufficient and for the purpose of paying its obligations and to take all other actions necessary to provide monies for the payment of its obligations from sources lawfully available to it for such purpose.

For those Participants who pay their proportionate share of Construction Costs up front, they are obligated to pay their share of the remaining operating expenses of the Project as determined in the Compact Agreement. Each Participant also agrees to pay to the Compact a daily fee for the intake, maintenance, feeding and care of each juvenile held in the Project.

THE LEASE

The following is a summary of certain provisions of the Lease between the County and the Compact:

Lease Payments. The Lease Payments shall be paid, and other obligations of the Compact under the Lease shall be met, from one or more of the following: (a) "annual minimum fees" (that portion relating to the annual Lease Payment) made to the Compact by the County and the Participants pursuant to the Compact Agreement; (b) the County's Minimum Fee Payment pursuant to the Lease; (c) income derived by the Compact from the intake, maintenance, feeding and care of juveniles in the Project and from the "annual minimum fees" (that portion relating to annual operating expenses) paid by the Participants and the County pursuant to the Compact Agreement; (d) income derived by the Compact from the sublease of the Land and Improvements to other parties: (e) net proceeds of insurance to be maintained by the Compact; and (f) net proceeds of any condemnation award with respect to the Land and Improvements.

The County agrees to include in its annual budget for each fiscal year during the term of the Compact Agreement moneys sufficient to pay and for the purpose of paying the Minimum Fee Payment and to levy the Building Fund Levy pursuant to SDCL Section 7-25-1 in an amount sufficient and for the purpose of paying such Minimum Fee Payment and, to the extent permitted by law, to determine the percentage of true and full value to be used as taxable valuation such that the tax levied pursuant to SDCL Section 7-25-1 will generate sufficient revenues for the purpose of paying such Minimum Fee Payment and to take all other actions necessary to provide moneys for the payment of the Minimum Fee Payment from sources of the County lawfully available for such purpose.

Compact's Obligation To Make Lease Payments. The Compact's obligation to pay Lease Payments due with respect to the Land and Improvements, and to perform and observe all other covenants and agreements of the Compact with respect to the Land and Improvements, shall be absolute and unconditional; and the Lease Payments due and payable shall be made without notice or demand and without set-off, counterclaim, abatement, deduction or defense including, without limitation, any failure or delay by the County in the performance of any of its obligations under the Lease.

Operation, Maintenance and Modification of Improvements. The Compact agrees that at all times during the Term of the Lease it will, at its own expense, operate and maintain, preserve and keep the Land and Improvements or cause the Land and the Improvements to be maintained, preserved and kept in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals thereto. In addition, the Compact shall, at its own expense, have the right to remodel the Improvements or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Land and Improvements and be subject to the provisions of the Lease.

The Compact shall pay during the Lease Term, as the same become due, respectively, all taxes, special assessments and governmental charges, all utility and other charges incurred in the operation, use, occupancy and upkeep of the Improvements. (See "COMPACT AGREEMENT" herein).

Damage, Destruction and Condemnation. If the Improvements or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or title to or the temporary use of the Improvements or any part thereof, or the interest of the Compact or the County in the Land or Improvements or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Compact shall have the rights with respect to the net proceeds of any insurance or condemnation award specified in the Lease, but the Compact shall be obligated to continue to pay Lease Payments due with respect to the Improvements. All net proceeds shall be applied to the prompt repair, restoration,

modification, improvement, or replacement of the Land and the Improvements by the Compact or if the Compact elects not to repair, rebuild or restore, the Compact shall prepay or discharge the Lease Payments to the full extent of the net proceeds. If the net proceeds are insufficient to pay the full cost of any repair, restoration, modification, improvement, or replacement of the Improvements, the Compact shall either pay any cost in excess of the net proceeds or prepay the Lease Payments.

Term and Termination of Lease. The Lease shall be in effect for an initial term commencing upon its execution and ending on the date upon which the Compact has paid the County all Lease Payments required to be paid under the Lease, unless terminated prior to said date.

The initial Term of the Lease will terminate upon the occurrence of the first of the following events:

(a) the prepayment by the Compact of all Lease Payments required to be paid by it during the Initial Term under the Lease; or

(b) the discharge by the Compact of its obligation to pay the Lease Payments required to be paid by it during the Initial Term under the Lease.

Upon payment of all Lease Payments and Renewal Lease Payments due under the Lease, full and unencumbered legal title to the Improvements shall vest in the County and the Compact shall have no further interest therein.

No provision of the Lease shall be construed as in any way subordinating, conveying or agreeing to convey, or otherwise adversely affecting the County's fee simple interest in the Land.

Insurance. The Compact shall procure and maintain continuously in effect during the Term of the Lease with respect to the Land and Improvements policies of insurance against such risks and in such amounts as are customary for a prudent owner of property comparable to those comprising the Land and Improvements, including, without limitation, (1) general liability insurance against liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition of the Land and Improvements or any part thereof; and (2) property insurance to the extent of the full insurable value of the Land and Improvements.

Release of Unimproved Land. The County has an option to obtain a release of any unimproved portion of the Land if such portion is not needed by the Compact for operation of the Project and such release would not impair the usefulness of the Project as a juvenile services center. In addition, before such release will be granted, the Compact must provide an "as-built" survey of the Land and the County must provide evidence that the released Land has been properly platted and that counsel to the County is of the opinion that all applicable State laws relating to the release or disposition of such real estate have been satisfied.

Assignments. The rights and obligations of the Compact under the Lease may not be assigned by the Compact without the written consent of the County and the Trustee, which shall not be unreasonably withheld; provided that the Compact may sublease the Land and Improvements, in whole or in part, without the consent of the County and the Trustee, subject, however, to the conditions outlined in the Lease.

Events of Default and Remedies. The following are events of default under the Lease:

(a) Failure by the Compact to pay any Lease Payment or other payment required to be paid under the Lease at the time and from the sources specified in the Lease; or failure by the County to pay any Minimum Fee Payment pursuant to the Lease.

(b) Failure by the Compact to observe and perform any covenant, condition, obligation or agreement on its part to be observed or performed under the Lease, other than referred to in (a) above, for a period of forty-five (45) days after written notice, specifying failure and requesting that it be remedied, given to the Compact by the County or the Trustee, unless the County and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the County and the Trustee shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Compact within the applicable time period and diligently pursued until the default is corrected; and

(c) The occurrence of an Act of Bankruptcy as defined in the Lease.

Whenever any Event of Default under the Lease shall have happened and be continuing, the County shall have the right, at its option with the consent of the Trustee, to take and, upon written request by the Trustee, shall take, but only upon not less than five days written notice to the Compact, one or any combination of the following remedial steps as directed by the Trustee:

(a) Without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Improvements which is not in default under a sublease, re-enter and take possession of the Land and Improvements and exclude the Compact and any sublessee in default from using it until the default is cured and use its best efforts to lease the Improvements to another for the account of the Compact, holding the Compact liable for the difference between the rentals received and the Lease Payments which would have been receivable under the Lease; or

(b) Subject to the provisions of the Lease, take whatever action at law or in equity may appear necessary or desirable to: (i) collect the Lease Payments then due, (ii) collect any Lease Payments to become due and payable during the current or any subsequent Fiscal Year, or (iii) enforce performance and observance of any obligation, agreement or covenant of the Compact under the Lease.

These provisions do not limit any other remedies which the County or the Trustee may have under the Trust Agreement or any other documents.

Prepayment. The Compact shall have the option to prepay or may be required to prepay the unpaid Lease Payments but only in the manner provided in the Lease. The Compact shall give notice to the County of its intention to exercise its prepayment option not less than thirty (30) days in advance of the date of exercise, and shall pay to the County on the date of exercise an amount equal to the then current principal balance, plus accrued interest to the prepayment date, plus any prepayment premium which may be payable as shown in the Lease, less any net proceeds to be applied to the amount so to be paid in accordance with the Lease. In addition, the Compact may at any time discharge its obligation to pay the Lease Payments due under the Lease by depositing irrevocably in escrow with a bank or trust company funds and investment earnings thereon which will be sufficient to provide moneys to pay or prepay all unpaid Lease Payments on the dates when they are due or subject to prepayment, subject to the further restrictions outlined in the Lease.

THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement:

The Corporation and U.S. Bank Trust National Association, as Trustee, entered into a Trust Agreement, dated as of October 1, 1994, as amended by the First Supplemental Trust Agreement, dated as of November 1, 2000, and the Second Supplemental Trust Agreement, dated as of February 1, 2004 (the "Trust Agreement") which set forth the terms of the Certificates and the security for these payments.

Assignment of Rights and Revenues

The Lease, together with all right, title and interest of the County, as lessor thereunder (except for the lessor's rights to indemnity and reimbursement for expenses thereunder), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any of the revenues, and other sums of money payable or receivable thereunder, whether payable as Lease Payments for the Certificates or the Land and related Improvements or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to any and all things which the County is or may become entitled to do under the related Lease, will be pledged and assigned to the Trustee.

Trust Fund

A special trust fund shall be established by the Trustee under the Trust Agreement and kept separate and apart from all other funds (the "Trust Fund"). The Trust Fund shall contain the following accounts:

(1) Lease Payment Account: The Trustee shall initially deposit accrued interest for the Certificates in the Lease Payment Account. Thereafter, all Lease Payments and all other moneys received by the Trustee for the Certificates or the Land and the Improvements shall be deposited in the related Lease Payment Account. The Trustee shall withdraw moneys from the Lease Payment Account to make payments of principal of and interest on the Certificates when due.

(2) Redemption Account: All moneys received by the Trustee for the purpose of redeeming, prepaying or discharging the Lease Payments for the 2004 Certificates, or net proceeds received pursuant to the termination of the Lease shall be deposited in the Redemption Account.

Construction Account

A Construction Account for the Certificates shall be established, held and administered by the Trustee as a separate and distinct account in the Trust Fund, for the benefit of the Owners of the Certificates. The Trust Agreement sets forth the procedures to be followed before moneys are disbursed from the Construction Account. Upon completion of the Improvements, any amounts remaining in the Construction Account shall be transferred into the Lease Payment Account for payment of the principal component of succeeding Lease Payments for the Certificates.

Excess Earnings Fund

The Trustee is authorized to transfer to the Excess Earnings Fund amounts which constitute Excess Earnings as defined in the Trust Agreement and to rebate such amounts to the Internal Revenue Service in accordance with applicable requirements of the Code and the Regulations promulgated thereunder, in order to preserve the tax exempt status of the Certificates.

Investment of Moneys

All moneys held by the Trustee in the Trust Fund shall be invested in Permitted Investments, as described in the Trust Agreement, pursuant to written instructions of an Authorized Officer of the Compact. If the Compact does not provide the Trustee with such instructions, the Trustee shall invest such moneys in Permitted Investments so as to obtain the highest yield which the Trustee deems practicable, having due regard for the safety of such moneys and for the dates upon which such moneys will be required for uses and purposes specified in the Trust Agreement.

Action Upon Default or Termination

Upon the occurrence of an event of default by the Compact under the Lease, and in each and every such case during the continuance of such event of default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the issue of Certificates in default and then outstanding shall be entitled, upon notice in writing to the Compact, to enforce the rights and exercise the remedies afforded the lessor under the Lease.

Amendment of Trust Agreement

The Trust Agreement may be amended in writing by agreement among all of the parties for certain purposes without the consent of the Owners of Certificates, but no such amendment shall become effective as to the Owners of Certificates then Outstanding until approved by the Owners of two-thirds in aggregate principal amount of Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate.

THE GROUND LEASE AGREEMENT

The County (as lessor) and the Compact (as lessee) entered into a Ground Lease Agreement (the "Ground Lease") for the real property (the "Land") upon which the Project is to be located.

The rent for the entire term of the Ground Lease shall be One Dollar ($1.00) payable in one installment in advance.

TAX EXEMPTION

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the 2004 Certificates, the interest component of the Lease Payments to be received by the Owners of the 2004 Certificates is not includible in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the 2004 Certificates is includible in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the 2004 Certificates and the application and investment of proceeds of the 2004 Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the Code), impose continuing requirements that must be met after the issuance of the 2004 Certificates in order for interest thereon to be and remain not includible in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the 2004 Certificates to be includible in federal gross income, retroactive to the date of issuance of the 2004 Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the 2004 Certificates or for an increase in the interest rate on the 2004 Certificates in the event that interest on the 2004 Certificates becomes includible in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the 2004 Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includible in book income or in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the 2004 Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest component of the Lease Payments to be received by the Owners of the 2004 Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the 2004 Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the 2004 Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income.

The County will designate the Lease and the 2004 Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the 2004 Certificates for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the 2004 Certificates to lose their status as "qualified tax-exempt obligations" retroactive to the date of issuance of the 2004 Certificates.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the 2004 Certificates. Prospective purchasers or owners of the 2004 Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the Compact or the County, the right of the present officials of any entity to hold their respective offices, or the right, power and authority of the Compact or the County to enter into the Lease, or of the County to levy and collect taxes for repayment of its obligations under the Lease.

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the 2004 Certificates to the Underwriter, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver its opinion dated the date of such delivery that the 2004 Certificates, the Lease and the Trust Agreement are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the 2004 Certificates, the Trust Agreement and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to

examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

FINANCIAL STATEMENTS

The historical financial statements of the County, which are included in Appendix B to this Official Statement, for the fiscal years ended December 31, 2001 and 2002, have been examined by the South Dakota Department of Legislative Audit. Such financial statements have been included herein in reliance upon reports of the South Dakota Department of Legislative Audit.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the 2004 Certificates an "Aa3" rating. An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The County furnished to Moody's certain information and materials. Generally, the rating agency will base its rating on such information and materials and, in addition, on investigations, studies and assumptions made by the rating agency.

There is no assurance that the rating assigned to the 2004 Certificates will continue for any given period of time or that such rating will not be revised or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. A revision or withdrawal of such rating could have a material adverse effect on the market price of the 2004 Certificates.

UNDERWRITING

The 2004 Certificates are initially being purchased by RBC Dain Rauscher Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2004 Certificates from the Trustee at a purchase price of $1,142,600, plus accrued interest from February 1, 2004 to the date of delivery of the 2004 Certificates. The Certificate Purchase Agreement provides that the Underwriter will purchase all of the 2004 Certificates, if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices set forth on the cover page hereof may be changed from time to time by the Underwriter. The County, the Compact and the Corporation have agreed pursuant to the Certificate Purchase Agreement to indemnify the Underwriter against certain liabilities, including liabilities under the Federal securities law.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreement, the Lease and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

SUMMARY OF COUNTY INFORMATION

PENNINGTON COUNTY

BOARD MEMBERS

Ken Davis, Chair
James Kjerstad, Vice Chair
Delores Coffing, Commissioner
Lyle Hendrickson, Commissioner
Gale Holbrook, Commissioner

ELECTED OFFICIALS AND COUNTY STAFF

Julie Pearson, Auditor
Don Holloway, Sheriff
Glenn Brenner, State's Attorney
Janet Sayler, Treasurer
Jay Alderman, Deputy States Attorney

SPECIAL SERVICES

Bond Counsel

Lindquist & Vennum P.L.L.P.
Minneapolis, Minnesota

Underwriter

RBC Dain Rauscher Inc.
Minneapolis, Minnesota

Trustee

U.S. Bank National Association

SUMMARY OF COUNTY INFORMATION

2004 Certificates

Authority and Purpose: The Western South Dakota Juvenile Services Center Compact Agreement ("Compact Agreement") was entered into among the Counties of Pennington, Lawrence, Meade, Butte, Fall River, Custer and Harding pursuant to Chapters 1-24, 24-11 and 26-7A of South Dakota Codified Law. The Compact Agreement authorized the Compact to enter into a Lease Agreement with Pennington County (the "County") to finance the construction of a juvenile service center.

Security: Under the Compact Agreement, the County has agreed to pay to the Compact a minimum annual fee which is intended to provide the Compact with sufficient revenue to make all Lease Payments as they become due in the event the Participants fail to pay their minimum lease payment fees assessed under the Compact Agreement.

	December 31, 2003
Full & True Value including Utilities (no TID's)	$4,344,453,131
Direct General Obligation Debt	-0-
COP/Bonds	$19,220,000
Lease Purchase Obligations	$593,996
Population 2000 Census	88,565
Area in Square Miles	2,776

Pennington County is located in Western South Dakota. Rapid City, the County seat, is located on I-90 and U.S. Highways 14 and 16.

Pennington County was organized in 1877 and is governed by a Board of Commissioners consisting of 5 members elected by districts for 4-year terms.

Following are population figures for incorporated municipalities in the County according to the U.S. Census:

	2000	1990	1980	1970
Box Elder	2,841	2,680	3,186	607
Hill City	780	650	535	389
Keystone	311	232	295	----
New Underwood	616	553	517	416
Quinn	44	72	80	105
Rapid City	59,607	54,523	46,692	43,836
Wall	818	834	542	786
Wasta	75	82	99	127

Employers & Pension Plans

Pennington County currently employs approximately 530 persons. The South Dakota Retirement System administered by the State of South Dakota covers employees of Pennington County. Members' contributions and credited interest are 100% vested and may be withdrawn upon termination of

employment. The County's total cost of the plan for the year ended December 31, 2003 was $1,111,292.40.

Class A members include all employees other than judicial and public safety. They are required by state statute to contribute 6% of their gross salary. The County by statute is required to match all employee contributions.

Class B members include Public Safety members that are described as deputies and adult & juvenile correctional officers. They are required to contribute 8% of their gross salary. The County by statute is required to match all employee contributions.

Additional information is contained in the " Notes to the Financial Statements" relating to the 2001and 2002 audited financial statements set forth in APPENDIX B to this Official Statement.

Contribution Information	2001	2002
Contribution Requirements Total Employee & Employer	$1,813,958	$2,015,953
County Contributions	$906,979	$1,007,976
Percent of Covered Payroll	50%	50%
Employee Contributions	$906,979	$1,007,976
Percent of Covered Payroll	50%	50%

Valuations

All property subject to taxation is assessed annually according to value on the first day of November preceding the assessment year. The Director of Equalization compiles an assessment roll for each taxing district within the county. Currently assessment rolls are compiled for 6 school districts, 2 water districts, 20 civil townships, 8 cities and towns, 6 sewer districts, 55 road districts, 1 library district, 2 ambulance districts, 15 fire districts and the county as a whole. The assessment roll is reviewed and adjusted for errors and omissions by each municipality and township. Upon completion of local and county boards of equalization, the tax roll is factored to an 85% median level of assessment using the preceding year's sales as a benchmark. This represents full and true value for tax purposes and is levied upon by the County Auditor in mill rates or dollars per thousand of value. From 2002 to 2003 the tax base of Pennington County increased by just over 12%.

For school general fund levying purposes there are four classes of property; agricultural, non-agricultural acreages, owner occupied residential and other non-agricultural. The general fund levies for school purposes are set in statute annually to compensate for both growth and inflation.

The County's Values (Includes Tax Increment District Values)

	Full & True Value
Agricultural – Outside Corp Limits	$149,781,444
Owner Occupied – Outside Corp Limits	761,223,711
Nonagricultural Z – Outside Corp Limits	8,257,977
Nonagricultural – Outside Corp Limits	273,914,362
Mobile Homes – Outside Corp Limits	31,563,931
Agricultural – Inside Corp Limits	2,039,797
Owner Occupied – Inside Corp Limits	1,490,232,026
Nonagricultural – Inside Corp Limits	1,508,021,045
Nonagricultural Z – Inside Corp Limits	914,054
Mobile Homes – Inside Corp Limits	22,953,818
Utilities	172,163,153
Less Tax Increment Districts	(76,612,187)
Total All Property	$4,344,453,131

(Source: Annual PT76 – Recapitulation of Tax Report)

The following table illustrates the historical full & true value and taxable values for Pennington County (excluding tax increment districts):

Tax Year	Full & True Real Property Value	Taxable Percent	Taxable Value Real Property	Plus Utilities	Total Taxable Value
2003	$4,172,289,978	100%	$4,172,289,978	$172,163,153	$4,344,453,131
2002	3,751,224,238	100%	3,751,224,238	152,535,825	3,903,760,063
2001	3,291,929,650	100%	3,291,929,650	133,530,663	3,425,460,313
2000	3,115,731,072	100%	3,115,731,072	120,156,152	3,235,887,224
1999	2,885,448,539	100%	2,885,448,539	121,184,926	3,006,633,465
1998	2,615,933,719	100%	2,615,933,719	105,554,248	2,721,487,967
1997	2,451,067,774	100%	2,451,067,774	95,509,000	2,546,576,774
1996	2,251,608,052	100%	2,251,608,052	97,048,741	2,348,656,793
1995	2,176,304,529	100%	2,176,304,529	90,621,402	2,266,925,931
1994	2,086,786,439	100%	2,086,786,439	91,721,155	2,178,507,594
1993	1,902,842,560	100%	1,902,842,560	86,739,204	1,989,581,764
1992	1,818,634,334	100%	1,818,634,334	75,318,654	1,893,952,988
1991	1,805,321,954	100%	1,805,321,954	76,650,199	1,881,972,153
1990	1,295,921,534	100%	1,295,921,534	75,951,155	1,371,872,689
1989	1,285,697,268	100%	1,285,697,268	75,124,988	1,360,822,256
1988	1,259,412,858	60%	755,647,715	43,145,970	798,793,685
1987	1,230,798,946	60%	738,479,368	42,190,285	780,669,653
1986	1,242,592,138	50%	621,296,069	not available	
1985	1,193,926,579	53%	632,781,087	not available	
1984	1,174,395,685	40%	469,758,274	not available	

(Source: BUD040 Report – annual tax levy verification report)

County Consolidated Tax Dollars Levied

Year	County General	Emergency Disaster	Highway & Bridge Res	Accumulated Building
2003	$19,672,118.23	-0-	-0-	$1,655,671.08
2002	18,312,538.46	-0-	-0-	1,777,381.96
2001	17,269,115.62	-0-	-0-	1,249,950.47
2000	16,190,761.73	-0-	-0-	1,246,787.34
1999	14,622,461.19	10,222.56	-0-	1,771,207.78
1998	13,605,806.94	10,069.50	$712,485.55	1,325,636.79
1997	12,803,169.38	4,329.18	677,134.77	1,329,058.42
1996	12,209,990.73	310,022.69	675,238.83	1,035,287.92
1995	11,815,217.96	294,473.68	654,914.90	1,048,906.63
1994	11,413,636.99	282,988.14	629,588.69	948,522.21
1993	10,153,830.53	285,107.07	503,563.14	1,181,413.65
1992	9,665,789.08	271,971.65	499,056.61	891,104.88
1991	8,096,620.88	114,800.30	483,666.85	817,716.91
1990	7,856,714.89	157,216.61	483,585.12	803,780.21

Source: BUD040 Report – annual tax levy verification report

Largest Taxpayers

The fifteen largest taxpayers of the County for the tax year 2003 payable in 2004 are listed below:

Owner's Name	Type of Business	Taxable Value
SDC Macerich Properties	Mall/retail	$39,361,482
Wal-Mart	Retail	11,801,592
Rushmore Plaza	Hotel	10,580,198
Bradley Operating	Mall/retail	10,295,822
Regency RC Ventures	Hotel	9,530,485
Physicians RE, LLP	Medical Office	8,681,343
Rapid City Regional Hospital	Medical	8,517,625
Harmony Heights	Apartments	7,587,137
LaCrosse Investors	Apartments	7,330,123
Lowe's Home Center	Retail	7,154,091
Wal-Mart	Retail	6,724,057
Menards, Inc	Lumber/Retail	6,605,621
Black Hills Surgery Center	Medical	6,516,910
Tri City Associates	Retail	6,273,372
Carl Lester	Hotel	6,151,048

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied and are due and payable in two installments on or before April 30th and October 31st of each year.

The Pennington County Treasurer is responsible for collection of all taxes that are included on the tax list. Once collected, the County Auditor apportions the money and credits the appropriate fund. The County Auditor is mandated to remit all collections to the appropriate taxing entity by the 20th of the month following collection.

Mill Rates or Dollars per Thousand of Value – Owner Occupied Levy

Levy Year	Taxable Percent	County	Rapid City School	Water	City of Rapid City	Total Mill Levy
2003	100%	4.9092	10.4134	.0331	3.1493	18.5050
2002	100%	5.1463	10.7729	.0350	3.3041	19.2583
2001	100%	5.4063	11.2480	.0373	3.4685	20.1601
2000	100%	5.3888	10.0959	.0373	3.4252	18.9472
1999	100%	5.4559	12.0097	.0378	3.4801	20.9835
1998	100%	5.7520	11.9892	.0399	3.6595	21.4406
1997	100%	5.8171	13.0979	.0427	3.6386	22.5963
1996	100%	6.0935	13.4673	.0444	3.7241	23.3293
1995	100%	6.0935	19.5610	.0436	3.6827	29.3808
1994	100%	6.0935	19.9667	.0455	3.7662	29.8719
1993	100%	6.0937	22.1368	.0495	3.6676	31.9476
1992	100%	5.9811	20.1480	.0520	3.2954	29.4765
1991	100%	5.0547	19.3472	.0523	3.2665	27.7207
1990	100%	6.7800	25.8786	.0719	4.3200	37.0505
1989	100%	6.7800	25.8887	.0725	4.3200	37.0612
1988	60%	11.3000	43.1600	.1300	7.2000	61.7900

Source: Bud060 for levy for Rapid City Owner Occupied for years 1996 to present & Non Ag years 1995 & prior

Tax Collections – County Consolidated

		Collected First Year		Collected as of December 31, 2003	
	Amount of Levy	Amount	Percentage	Amount	Percentage
2002/03	$20,482,272	$20,244,630	98.84%	$20,244,630	98.84%
2001/02	19,094,069	18,776,561	98.34	18,995,029	99.48
2000/01	17,714,942	17,406,150	98.25	17,680,238	99.80
1999/00	16,607,540	16,496,836	98.62	16,708,096	100.00
1998/99	15,968,085	15,814,609	99.03	15,814,609	99.03
1997/98	15,139,626	15,083,066	99.62	15,123,854	99.89
1996/97	14,638,122	14,528,524	99.25	14,620,950	99.88
1995/96	14,058,904	13,845,852	98.48	14,062,357	100.00
1994/95	13,483,630	13,329,174	98.85	13,479,718	99.97

Indirect Ad Valorem Debt

	Percent Taxable Value Within the County	Ad Valorem Debt Outstanding 12/31/03	Applicable to County
Municipalities:			
Box Elder	100%	0	0
Hill City	100%	0	0
Keystone	100%	0	0
New Underwood	100%	$14,500	$14,500
Quinn	100%	0	0
Rapid City	100%	0	0
Wasta	100%	0	0
Wall	100%	469,715	469,715
School Districts (including Mobile Home Values):			
Douglas	70.61%	0	
Hill City	100.00%	$3,345,000	$3,345,000
New Underwood	99.77%	755,000	753,264
Rapid City	96.21%	20,260,000	19,492,146
Wall	99.98%	1,600,000	1,599,680
Custer	4.97%	2,725,000	135,433
Total Indirect Ad Valorem Debt			$25,809,738

Source Bud040. Totals include values from overlapping counties.

Debt Limit

The total indebtedness of Pennington County may not exceed 5% of the actual assessed value of property within the county.

2003 Valuation including Utilities (no TID's)		$4,344,453,131
		x 5%
Maximum		217,222,657
Less:	Direct General Obligation Debt	-0-
	Certificates of Participation	$19,220,000
	Lease Purchase Obligations	593,996
Plus:	1994 Certificates of Participation defeased	1,105,000
	Available Margin	198,513,631
Less:	Principal of Series 2004 Certificates of Participation	1,160,000
Available Margin		$197,353,631

Debt Ratios

	Amount	% of Full & Per Capita (1)	True Value
Direct General Obligation Debt	-0-	-0-	0%
Indirect General Obligation Debt	-0-	-0-	0%

(1) Based on the 2000 census population of 88,565

Pennington County Revenues & Expenditures

Revenue Collected:

Fund	1997	1998	1999	2000	2001	2002
County General	$26,131,806.67	$24,756,583.83	$25,198,793.34	$25,468,485	$27,366,776	$29,102,540
Road Bridge Fund	583,648.16	583,959.42	604,183.97	3,774,940	3,567,414	3,700,965
Emergency Disaster	527,902.95	12,117.70	11,008.53	10,709	288	90
Unorganized Road	1,523,697.88	1,580,656.50	1,722,856.88	1,721,978	1,731,779	1,834,755
Library				$111,490	$120,393	$315,945
Drug Seizure	12,306.97	21,056.00	49,939.14	113	--	9,512
Fire Administration	157,487.66	289,207.17	175,993.86	175,050	183,685	554,206
E 911	544,696.71	594,384.66	597,416.25	666,421	739,278	780,042
Title 3				--	202,747	224,565
Emergency Management	76,690.23	91,625.15	144,264.02	93,550	95,862	100,679
Hazardous Materials	10,807.00	10,370.00	0.00	10,120	8,515	13,510
Domestic Abuse	49,785.00	45,917.88	50,389.63	49,395	45,160	46,464
Accumulated Building	1,149,498.41	1,523,559.67	1,501,933.13	2,084,433	1,470,009	1,579,104
Capital Projects	0.00	0.00	0.00	3,447,000	72,707	3,608,123
Health Care Trust	1,093,355.87	1,166,170.14	1,115,575.88	1,449,535	1,580,889	1,826,993
Total	$31,861,683.51	$30,675,608.12	$31,172,354.63	$39,063,219	$37,185,502	$43,697,493

Expenditures:

Fund	1997	1998	1999	2000	2001	2002
County General	$22,782,521.09	$25,100,594.17	$25,128,207.25	$23,340,765	$24,739,525	$25,536,473
Road & Bridge	149,565.20	922,057.52	483,648.72	7,202,376	8,658,579	5,819,142
Emergency Disaster	491,711.81	0.00	0.00	0.00	0.00	0.00
Unorganized Road	1,540,000.00	1,937,529.00	1,511,211.00	-0-	-0-	-0-
Library	--	--	--	104,213	111,800	257,206
Drug Seizure	14,171.54	12,772.12	40,093.70	45,647	8,658,579	5,819,142
Fire Administration	140,521.11	272,384.55	147,141.06	202,403	139,596	511,255
E 911	538,049.26	650,263.90	582,690.68	627,454	799,211	688,339
Title 3 Monies	0.00	0.00	0.00	0.00	0.00	3,915
Emergency Management	96,564.42	109,855.50	173,747.70	140,344	118,952	127,470
Hazardous Materials	7,102.71	6,728.77	7,999.44	28,936	8,953	11,433
Domestic Abuse	51,185.00	45,700.00	50,025.01	46,282	51,545	46,832
Accumulated Building	1,071,656.19	1,271,756.40	1,262,229.97	1,783,139	1,351,006	969,239
Capital Projects	0.00	0.00	0.00	2,518,921	1,113,628	2,764,529
Health Care Trust	880,222.80	1,087,233.60	1,195,154.62	1,691,601	1,759,112	1,499,464
Total	$27,763,271.13	$31,416,875.53	$30,582,149.15	$37,732,081	$38,868,291	$38,235,441

Note: Pennington County is required by state law to be audited annually by the Department of Legislative Audit. Audits have been completed through December 31, 2002. Pennington County's financial statements are prepared in accordance with GAAP.

Year End Cash Balances:

Fund	December 31, 2001	December 31, 2002	Unaudited December 31, 2003
County General	$10,214,796.04	$11,154,236.26	$10,742,557.39
Road & Bridge	2,150,323.19	3,756,999.88	3,793,782.44
Emergency Disaster	368,168.57	368,258.53	368,270.86
Library	1,586,989	74,608.48	99,727.31
Drug Seizure	41.09	9,409.40	3,460.45
Fire Administration	133,118.24	176,963.41	248,571.38
E 911	144,761.73	221,132.61	303,882.87
Title 3 monies	202,746.86	425,158.40	10,809.49
Emergency Management	113,825.25	134,811.65	157,555.68
Hazardous Materials	19,918.00	16,739.35	27,259.53
Domestic Abuse	3,030.00	2,662.50	2,250.00
Accumulated Building	3,608,754.21	3,818,793.08	976,078.19
Health Care Trust	118,881.54	505,812.77	963,787.67
Total	$17,079,951.61	$20,665,586.32	$17,697,993.26

Basis of Accounting

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Pennington County's records are maintained in accordance with GAAP.

Population and Area

The total land area of Pennington County is approximately 2,776 square miles. Population figures for Pennington County and Rapid City are given below:

	1980 U.S. Census	1990 U.S. Census	2000 U.S. Census
Pennington County	70,133	81,343	88,565
Rapid City	46,492	54,523	59,607

Income

	Pennington County 1999	Pennington County 2000	State of South Dakota 2000
Per Capita Income	$25,090	$26,361	$24,477
Average Earnings Per Job	25,013	25,932	N/A

Source: U.S. Census Data and South Dakota Data Center

Labor Statistics

Year	Pennington County Average Annual Civilian Labor Force	Average Unemployment For Pennington County	Average Unemployment For State of South Dakota
2002	49,010	2.8%	unknown
2001	48,315	3.1	3.3%
2000	47,520	2.0	2.3
1999	46,650	2.5	2.9
1998	46,740	2.6	2.9
1997	45,190	3.1	3.1
1996	45,677	3.3	3.3
1995	44,708	3.0	2.9
1994	43,959	3.4	3.2
1993	42,297	3.8	3.8
1992	41,444	3.2	3.2
1991	40,675	3.7	3.4

Source: State Data Center of South Dakota

Employment by Industry

	PENNINGTON COUNTY		SOUTH DAKOTA	
	1999	2000	2000	2001
Mining and Construction	165	63	1,552	1,518
Manufacturing	4,787	4,871	52,032	47,879
Transportation, Utility	2,576	2,742	22,726	23,093
Wholesale	2,798	2,721	21,652	22,455
Financial, Insurance, Real Estate	4,785	5,057	42,527	44,654
Service	20,410	20,920	146,032	141,204
Government/Government Entity	10,266	10,419	70,720	79,133
Farm	796	776	37,659	37,927
Agriculture/Forestry/Fish	551	559	7,705	7,744
Construction	4,358	4,778	27,955	28,414
Retail	14,044	14,348	89,413	89,545

Source: State Data Center of South Dakota

Housing

Housing demand has exceeded supply resulting in appreciation in value for existing homes. Platting and development of residential subdivisions is continuing to meet demand. There were 418 residential units constructed in 2003. There are currently 26,602 residential units. The average taxable value of residential properties has increased as well. The 2002 average was approximately $97,366. For the 2003 year the average is approximately $107,261. The County believes that the increase in both number of homes and value of homes will continue for the foreseeable future. Manufactured housing units also have increased. At the end of 2002 there were 6,899 and 156 were added in 2003 resulting in 7,055 units.

Major Employers

The largest employers located within the County are:

Employer	Product/Business	Number of Employees
Ellsworth Air Force Base	Military	2,884
Rapid City Regional Hospital	Health Care	2,700
Rapid City School District	Education	1,957
Government	Civilian	1,337
SCI, Inc.	Computer/Manufacturing	1,143
State of South Dakota	Government	1,049
Nash Finch	Wholesale Foods	633
Spiegel	Customer Service	600
City of Rapid City	Government	565
Pennington County	Government	530

Source: SD Data Center

Area Growth and Development

Pennington County has seen increasing construction activity for a number of years. There have been a number of major projects completed or are in the planning stages.

In the Rapid City area residential housing demand has resulted in numerous small developments. In addition, there are several large-scale developments including the Red Rocks subdivision with a recently completed eighteen-hole golf course, the Big Sky subdivision, the Prairie View subdivision and the Valley View subdivision. Each of these developments will result in more than 100 new home sites on the market. There is also a residential development just north of Pennington County in the Piedmont Valley of Meade County. This area is generally considered a "bedroom community" of Rapid City and offers both rural and subdivision housing opportunities for the working citizens in the area.

The commercial sector is also experiencing growth. Medical facilities have and are being constructed near the hospitals, capitalizing on the regional nature of the medical business. Several financial institutions have constructed or proposed new facilities including First Western Bank, Black Hills Federal Credit Union and Dakota Bank. Retail properties continue to be developed and expanded. Wal-Mart expanded into a Super store, Albertson's significantly remodeled their existing property and Lowe's and Best Buy both recently completed new facilities. The owners of the Harley-Davidson franchise recently completed a new building as well. Tourism continues as an important industry in the region. Two new McDonalds buildings have been constructed as well as several new motels/hotels and retail facilities in Rapid City, Keystone and Hill City. Manufacturing is beginning to make more of an impact in the Rapid City region as shown by the construction of facilities for Fenske Printing and RPM manufacturing. Commercial development is becoming more diversified.

Public sector investment has expanded as well. Pennington County recently completed constructing a five million dollar event center. Construction of two additional floors on the public safety / law enforcement building, an expansion of jail facilities and a courthouse complex parking ramp are in progress. The Rapid City and Wall School districts are in the process of starting construction on new school buildings. The City of Rapid City has almost completed their new indoor pool/recreation facility. A major updating of I-90 is still in progress improving ingress and egress to the community and the region. A new exit ramp to serve Ellsworth Air Force Base has been constructed, helping to ensure one of the areas largest employers can continue to exist in the future. An east side bypass is under

development, part of the continued construction of S. Hwy. 79 in a project called the Heartland Expressway with the eventual goal of linking I-90 with Denver. A west side bypass has been constructed in recent years by the city of Rapid City improving access from east to west across Rapid City. The extension of 5th Street is in progress which could open up large tracts of land for development. Omaha Street in central Rapid City is being widened and rebuilt to handle the increased traffic local development and tourism is creating.

Building Permits

Year	Number of Residential Permits	Value	Number of Commercial Permits	Value
2003	624	$36,286,781	263	$7,464,090
2002	732	39,966,952	300	12,310,650
2001	702	34,507,654	248	8,144,933
2000	649	34,437,493	263	6,118,339
1999	682	23,193,356	566	63,493,317
1998	689	20,721,983	371	58,916,991
1997	567	16,387,438	347	46,107,760
1996	461	13,298,796	428	58,385,815

Medical

Rapid City has 4 hospitals with 410 beds. Some of the services provided include:

Acute Renal Dialysis	Neonatal Nursery
Alcohol and Drug	Obstetrics
Coronary Care	Open Heart Surgery
Emergency Department	Outpatient Surgery
Home Care Unit	Pediatric
Hospice	Psychiatric
Impatient Surgery	Radiology Therapy
Intensive Care Unit	Rehabilitation

In addition, there are 23 long-term care and assisted living facilities in the area that have a total of 798 beds.

Source: SD data center

Banking

Banking and financial institutions are available to area residents in Rapid City. Major banking institutions are: American State Bank, Dacotah Bank, First Bank National Association, Green Tree Retail Services Bank, Wells Fargo, Pioneer Bank and Trust, Great Western Bank and Trust and U.S. Bank National Association. There are also several smaller banks and many Credit Unions serving the County. Year ending bank deposits are listed below for those institutions where balances could be obtained for the County branches.

Bank	2002	2001	2000	1999	1998	1997	1996	1995
Wells Fargo	384,277	272,157	290,469	303,258	296,039	284,594	284,890	$282,722
Great Western Bank and Trust	184,269	179,911	164,580	167,405	141,174	124,171	103,171	89,852
First Western Bank	100,951	94,920	82,003	79,077	70,170	61,923	58,262	53,096
American State Bank	$134,034	$131,777	$107,498	$95,725	$75,519	$69,473	$58,292	42,752
Green Tree Retail Services Bank	5,703	504	525	719	996	586	500	N/A

(Deposits listed in Millions)

Source: FDIC Financial Reports

Education

The Rapid City School District operates 17 Elementary Schools, 5 Middle Schools and 2 Senior High Schools. The District employs 975 certified personnel and has total enrollment figures as follows for fall 2003:

Grade	Number of Students
K – 5	5,821
6 – 8	3,087
9 – 12	4,135
Total	13,043

Private and parochial education is also available at 10 schools.

Pennington County also has five other school districts serving area residents.

School System	Number of Students	Certified Staff
Douglas School System	2,543	217
Custer School System	1,005	92
Hill City School System	532	49
Wall Schools	290	35
New Underwood Schools	284	27

Post-secondary education is available at the following schools:

National American University
Rapid City Regional Hospital
South Dakota School of Mines and Technology
South Dakota State University
University of South Dakota
Western Dakota Vocational Technical School

Source: All School Districts and Rapid City Chamber of Commerce

APPENDIX B

FINANCIAL STATEMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2002

PENNINGTON COUNTY
TABLE OF CONTENTS

	Page
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	1
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	3
Schedule of Prior Audit Findings and Questioned Costs	5
Schedule of Current Audit Findings and Questioned Costs	5
Independent Auditor's Report	6
General Purpose Financial Statements:	
As of December 31, 2002:	
Combined Balance Sheet--All Fund Types and Account Groups	8
For the Year Ended December 31, 2002:	
Combined Statement of Revenues, Expenditures and Changes in Fund Balances--All Governmental Fund Types and Expendable Trust Funds..	10
Combined Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual--General, Special Revenue and Capital Projects Fund Types	12
Combined Statement of Revenues, Expenses and Changes in Retained Earnings--All Proprietary Fund Types	17
Combined Statement of Cash Flows--All Proprietary Fund Types	18
Notes to the Financial Statements	19
Supplementary Schedule:	
County Officials	31
Schedule of Expenditure of Federal Awards	32
Schedule of Revenues and Expenditures -- Western South Dakota Regional Juvenile Service Center	35
Schedule of Revenues and Expenditures -- Detox	36

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Pennington County, South Dakota

Compliance

We have audited the compliance of Pennington County, South Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. Pennington County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pennington County's management. Our responsibility is to express an opinion on Pennington County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennington County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pennington County's compliance with those requirements.

The financial statements contained in this report include, as a component unit, the financial transactions of the Pennington County Housing and Redevelopment Commission which is a legally separate entity that is required by Governmental Accounting Standards Board Statement Number 14 to be included as part of the financial reporting entity of Pennington County. The Pennington County Housing and Redevelopment Commission fulfills its own audit requirements, including single audit requirements, apart from those of Pennington County. We did not audit compliance applicable to any of the federal awards of the Pennington County Housing and Redevelopment Commission, and, these federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for Pennington County. The Pennington County Housing and Redevelopment Commission was audited in accordance with the requirements of OMB Circular A-133 by other auditors and their report on compliance with requirements applicable to each major program and internal control over compliance with respect to federal programs is contained in their separately issued single audit report on the Pennington County Housing and Redevelopment Commission as of and for the year ended March 31, 2002.

In our opinion, Pennington County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Pennington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pennington County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As discussed in paragraph three, above, the Pennington County Housing and Redevelopment Commission fulfills its own audit requirements, including single audit requirements, apart from those of Pennington County. Accordingly, we did not perform tests of controls over compliance applicable to any of the federal awards of the Pennington County Housing and Redevelopment Commission. Our report on internal controls over compliance is limited to the legal entity known as Pennington County.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Pennington County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

March 24, 2003

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Pennington County, South Dakota

We have audited the financial statements of Pennington County, South Dakota, as of December 31, 2002, and for the year then ended and have issued our report thereon dated March 24, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

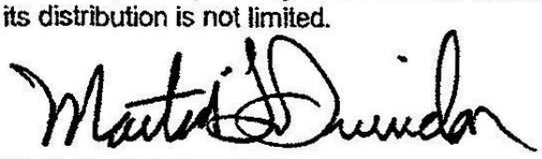
Compliance

As part of obtaining reasonable assurance about whether Pennington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* We noted certain immaterial instances of noncompliance that we have reported to the management of Pennington County in a separate communication dated March 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pennington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Pennington County in a separate communication dated March 24, 2003.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Pennington County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

March 24, 2003

PENNINGTON COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Audit Findings:

The prior audit report contained no written audit comments.

Prior Other Audit Findings:

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

a. An unqualified opinion was issued on the financial statements.

b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1. Roads and Schools – Grants to States, 10.665 & 10.666
2. Community Development Block Grants, 14.228
3. Payment in Lieu of Taxes, 15.226

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County did qualify as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

Closing Conference

The contents of this report were discussed with the county auditor on March 24, 2003.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pennington County, South Dakota

We have audited the accompanying general-purpose financial statements of Pennington County, South Dakota, as of December 31, 2002, and for the year then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Pennington County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Pennington County Housing and Redevelopment Commission, a component unit of Pennington County which represent one hundred percent of the December 31, 2002 balances and activities for the year then ended of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pennington County Housing and Redevelopment Commission, is based solely on the report of the other auditors.

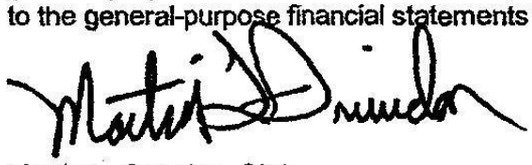
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Pennington County as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2003 on our consideration of Pennington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of the audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Pennington County taken as a whole. The schedules listed in the Table of Contents are presented for purposes of additional analysis including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Martin L. Guindon, CPA
Auditor General

March 24, 2003

PENNINGTON COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2002

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General *Fixed* Assets	General *Long-Term* Debt	Component Unit
Assets:										
Current Assets:										
Cash and Investments	$ 11,147,679.81	$ 7,583,869.54	$ 68.15	$ 462,906.23	$	$ 505,812.77	$ 3,884,905.87	$	$	$ 1,921,637.00
Restricted Cash	6,556.45	1,421,667.70		2,272,398.80	66.63					
Taxes Receivable--Current	16,313,660.88	3,412,079.24								
Taxes Receivable--Delinquent	443,800.95	103,005.48								388,845.00
Accounts Receivable	39,616.09	192,969.40								
Notes Receivable	15,866.70									
Due from other Governments	1,775,153.59	317,071.88								25,096.00
Inventory of Supplies		464,195.68								3,463,619.00
Investments										24,116.00
Other Assets					41,123.61					
Unamortized Cost of Issuance										
Total Current Assets	31,742,334.47	13,494,878.92	68.15	2,755,305.03	41,180.24	505,812.77	3,884,905.87	0.00	0.00	5,823,115.00
Fixed Assets:										
Land								644,775.23		889,679.00
Buildings					13,161,521.77			22,308,889.10		25,773,711.00
Less Accumulated Depreciation					(4,277,494.52)					(14,808,769.00)
Furniture and Equipment					203,160.00			1,557,215.12		419,703.00
Less Accumulated Depreciation					(162,844.00)					
Machinery and Auto Equipment								8,884,080.66		
Other Fixed Assets								999,579.17		
Leasehold Improvements										2,709,113.00
Construction in Progress								2,689,551.82		
Total Fixed Assets	0.00	0.00	0.00	0.00	8,904,343.25	0.00	0.00	37,084,121.10	0.00	14,985,437.00
Other Assets:										
Amount to be Provided for Bond Payment									7,435,000.00	
Amount to be Provided for Other Long-Term Debt									2,821,450.97	
Amount Provided for DoJo Tax Incremental Financing									1,273,659.04	
Total Other Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,530,110.01	0.00
TOTAL ASSETS	$ 31,742,334.47	$ 13,494,878.92	$ 68.15	$ 2,755,305.03	$ 8,945,523.49	$ 505,812.77	$ 3,884,905.87	$ 37,084,121.10	$ 11,530,110.01	$ 20,808,552.00

Liabilities and Equity:										
Current Liabilities:										
Accounts Payable	$ 795,997.42	$ 753,247.58	$	$ 398,675.61	$	$ 134,807.51	$	$	$	$ 595,589.00
Due to Other Governments							3,767,775.87			
Amounts Held for Others							61,458.22			75,866.00
Accrued Interest Payable				13,035.83						
Deferred Revenue	19,715,006.03	3,666,679.72								477,655.00
Current Portion of Bonds Payable and Other Current Liabilities										174,810.00
Total Current Liabilities	20,511,003.45	4,419,927.30	0.00	411,711.44	0.00	134,807.51	3,829,234.09	0.00	0.00	1,323,930.00
Long-Term Liabilities:										
Bonds Payable					2,520,000.00				7,435,000.00	
Less Unamortized Charge					(122,629.53)					
Accrued Leave Payable									1,744,629.65	
Other Long-Term Liability									1,076,821.32	2,755,802.00
DoJo Tax Incremental Financing Liability									1,273,659.04	
Total Long-Term Liabilities	0.00	0.00	0.00	0.00	2,397,370.47	0.00	0.00	0.00	11,530,110.01	2,755,802.00
Total Liabilities	20,511,003.45	4,419,927.30	0.00	411,711.44	2,397,370.47	134,807.51	3,829,234.09	0.00	11,530,110.01	4,079,732.00
Fund Equity:										
Contributed Capital					2,650,484.26					
Investment in General Fixed Assets								37,084,121.10		16,728,820.00
Retained Earnings:										
Unreserved					3,697,668.76	371,005.26				
Fund Balances:										
Reserve for Inventory		464,195.68								
Reserve for Drainage	6,556.45									
Reserve for Debt Service			68.15							
Reserve for Secondary Roads		1,421,667.70								
Reserve for Old Courthouse		19,362.05								
Reserve for Law Library							55,671.78			
Unreserved Fund Balances:										
Designated for Future Land Purchase	500,000.00									
Designated for Law Enforcement Capital Project	500,000.00									
Designated for Long Range Fair *Planning*	161,000.00									
Designated for Health & Human Services	638,998.00									
Designated for 2003 Budget	1,759,559.00	88,310.00								
Undesignated	7,675,217.57	7,081,416.19		2,343,593.59						
Total Fund Equity	11,231,331.02	9,074,951.82	68.15	2,343,593.59	6,548,153.02	371,005.26	55,671.78	37,084,121.10	0.00	16,728,820.00
TOTAL LIABILITIES & FUND EQUITY	$ 31,742,334.47	$ 13,494,878.92	$ 68.15	$ 2,755,305.03	$ 8,945,523.49	$ 505,812.77	$ 3,884,905.87	$ 37,084,121.10	$ 11,530,110.01	$ 20,808,552.00

The notes to the *financial statements* are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Year Ended December 31, 2002

	Governmental Fund Types				Fiduciary Fund Types
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
Revenue:					
Taxes	$ 18,061,898.94	$ 3,662,268.80	$ 105,324.46	$	$
Licenses and Permits	290,745.10	37,645.98			
Intergovernmental Revenue	3,041,444.66	4,992,997.90			
Charges for Goods and Services	6,987,400.73	150,675.71			22,543.00
Fines and Forfeits	78,359.02				
Miscellaneous Revenue	638,845.73	136,499.04		28,122.94	
Total Revenue	29,098,694.18	8,980,087.43	105,324.46	28,122.94	22,543.00
Expenditures:					
General Government	8,648,195.07				20,592.99
Public Safety	11,937,313.63	1,307,152.61		226,230.00	
Public Works	42,252.20	5,758,722.29			
Health and Welfare	3,360,014.11	46,831.50			
Culture and Recreation	60,000.00	257,206.00		2,463,351.82	
Conservation of Natural Resources	319,989.87				
Urban and Economic Development	351,977.43				
Debt Service	783,556.27	1,065,063.46	105,256.31	74,947.53	
Total Expenditures	25,503,298.58	8,434,975.86	105,256.31	2,764,529.35	20,592.99

Other Financing Sources (Uses):					
Sale of Fixed Assets	3,846.63	179,750.00			
Operating Transfers In		1,489,309.00		1,500,000.00	
Debt/Lease Proceeds				3,580,000.00	
Operating Transfers Out	(2,489,309.00)	(500,000.00)			
Total Other Financing Sources (Uses)	(2,485,462.37)	1,169,059.00	0.00	5,080,000.00	0.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	1,109,933.23	1,714,170.57	68.15	2,343,593.59	1,950.01
Other Changes In Fund Balance:					
Changes In Inventory Reserves	(276.02)	(159,442.39)			
Fund Balance, January 1, 2002	10,121,673.81	7,520,223.44			53,721.77
FUND BALANCE, DECEMBER 31, 2002	$ 11,231,331.02	$ 9,074,951.62	$ 68.15	$ 2,343,593.59	$ 55,671.78

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:						
Taxes:						
General Property Taxes--Current	$ 17,310,666.00	$ 17,304,586.98	$ (6,079.02)	$ 2,818,885.00	$ 2,785,195.83	$ (33,689.17)
General Property Taxes--Delinquent	85,000.00	238,516.45	153,516.45	15,150.00	51,327.10	36,177.10
Interest Taxes	28,500.00	47,902.26	19,402.26	6,511.00	10,556.90	4,045.90
Telephone Tax (Outside)	300,000.00	308,564.40	8,564.40			
Mobile Home Tax	105,000.00	156,930.10	51,930.10	44,529.00	39,391.37	(5,137.63)
911 Telephone Surcharge				720,436.00	775,451.40	55,015.40
Tax Deed	0.00	4,743.53	4,743.53	0.00	346.20	346.20
Other Taxes-Drainage	0.00	655.22	655.22			
Licenses and Permits	184,500.00	290,745.10	106,245.10	37,000.00	37,645.98	645.98
Intergovernmental Revenue:						
Federal Grants	978,470.00	897,678.52	(80,791.48)	391,102.63	393,072.98	1,970.35
Federal Shared Revenue	18,761.02	18,761.02	0.00	556,500.00	812,016.98	255,516.98
Federal Payments in Lieu of Taxes	200,000.00	475,414.00	275,414.00	14,500.00	0.00	(14,500.00)
State Grants	19,000.00	26,590.95	7,590.95			
State Shared Revenue:						
Bank Franchise	125,000.00	203,732.81	78,732.81	21,300.00	27,095.72	5,795.72
Motor Vehicle Licenses				2,340,000.00	2,544,225.69	204,225.69
Inheritance Tax	0.00	138,976.68	138,976.68			
Liquor Tax Reversion	300.00	635.05	335.05			
10% Game Licenses				0.00	43,345.56	43,345.56
Public Defender	80,000.00	147,763.98	67,763.98			
Prorate/Port of Entry Fees				190,000.00	201,677.11	11,677.11
Abused and Neglected Child Defense	45,000.00	56,976.51	11,976.51			
85% Mobile Home				225,000.00	163,831.39	(61,168.61)
Secondary Road Motor Vehicle Remittance				500,000.00	669,206.79	169,206.79
Other State Shared Revenue				20,919.00	20,509.00	(410.00)
Other Payments in Lieu of Taxes	15,000.00	16,066.25	1,066.25	1,500.00	1,162.90	(337.10)
Other Intergovernmental Revenue	906,605.00	1,058,848.89	152,243.89	88,947.00	116,853.78	27,906.78
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	90,800.00	115,520.41	24,720.41			
Register of Deeds' Fees	558,500.00	934,407.91	375,907.91	15,000.00	12,210.00	(2,790.00)
Drivers License Exam Fees	550.00	1,483.00	933.00			
Legal Services	25,993.73	32,269.55	6,275.82			
Clerk of Courts Fees	135,500.00	145,963.15	10,463.15			

			4,065.13				
		50,265.13					(113.39)
	46,200.00		45,305.56			15,397.61	
		407,501.58	(140,475.88)	15,511.00			114,424.28
	362,196.00	3,249,348.12	(106,144.75)			117,799.28	
	3,389,824.00	1,617,715.25		3,375.00			
	1,723,860.00						
			53,352.52				4,268.82
			0.00				
		242,382.52	6,372.93			5,268.82	
	189,030.00	3,750.00	(11,966.33)	1,000.00			
	3,750.00	16,372.93	52,487.53				
	10,000.00	83,033.87					
	95,000.00	87,387.53	(17,631.48)				(6,359.50)
	34,900.00		17,010.50				73,930.00
		2,388.52	3,980.00			23,640.50	2,080.00
	20,000.00	72,010.50		30,000.00		73,930.00	
	55,000.00	3,980.00		0.00		2,080.00	
	0.00		103,363.44	0.00			
		403,363.44	26,196.60				4,605.35
	300,000.00	26,196.60	(24,337.60)			4,605.35	
	0.00	33,742.40	(10,000.00)	0.00			32,243.19
	58,080.00	0.00	0.00			32,243.19	922,921.80
	10,000.00	3,025.25	5,537.94	0.00		8,980,087.43	
	3,025.25	5,537.94	47,512.70	8,057,165.63			
	0.00	151,512.70	(2,082.60)				
	104,000.00	15,487.40	1,463,133.18				
	17,550.00	29,098,694.18					
	27,635,561.00						
			312,856.51	11,788.49			
				82,500.00			
	324,645.00			36,243.22			
	799,860.00			2,920.95			
	(717,360.00)	288,756.78		43,580.84			
	325,000.00	203,319.05					
	208,240.00	246,975.16		1,569.27			
	290,566.00			49,930.48			
		229,683.73		905.51			
	231,253.00	540,879.52					
	590,810.00	460,211.49		59,235.00			
	461,117.00			307.33			
		1,626,261.00		60,509.46			
	1,685,496.00	1,025,803.67		15,915.71			
	1,026,111.00	164,490.54					
	225,000.00	129,084.29					
	145,000.00						

Other Fees
Public Safety:
Law Enforcement
Prisoner Care
Other Public Safety
Public Works:
Highways
Health and Welfare:
Economic Assistance
Poor Lien Recoveries
Veterans Service Assistance
Other Economic Assistance
Weed & Pest Fees
Other Charges
Fines and Forfeits:
Fines
Costs
Forfeits
Miscellaneous Revenue:
Interest
Investment Earnings
Rent
Nuisance Ordinance
Donations/Contributions
Refund of Prior Year's Expenditures
Pay Phone Income
Other Miscellaneous
Total Revenue

Expenditures:
General Government:
Legislative:
Board of County Commissioners
Contingency
(Amount Transferred)
Insurance
Elections
Judicial System
Financial Administration:
Auditor
Treasurer
Data Processing
Legal Services:
State's Attorney/Victim's Assistance
State's Defender/Public Advocate
Public Defender/Public Attorney
Court Appointed Attorney
Abused and Neglected Child Defense

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2002
(continued)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Administration:						
Geographical Information Systems	100,000.00	100,000.00	0.00			
Buildings and Grounds	2,188,108.00	2,170,533.01	17,574.99	300,000.00	0.00	300,000.00
Director of Equalization	951,536.00	776,836.89	174,699.11			
Register of Deeds	289,107.00	288,948.76	158.24			
Service Station	86,763.00	79,266.25	7,496.75			
Animal Damage	4,289.00	4,288.42	0.58			
Public Safety:						
Law Enforcement:						
Sheriff	4,128,939.52	4,033,703.27	95,236.25			
Jail	3,601,491.00	3,522,654.73	78,836.27			
Coroner	76,000.00	72,270.02	3,729.98			
Detention	3,690,224.00	3,352,621.99	337,602.01			
Dog Control	94,142.00	94,141.26	0.74			
Drug Seizure				6,000.00	144.00	5,856.00
Protective and Emergency Services:						
Fire Protection				501,201.63	489,652.37	11,549.26
Emergency and Disaster Services				136,631.00	117,583.36	19,047.64
Hazmat/Search and Rescue/Dive Team	59,643.00	55,623.17	4,019.83	14,919.00	11,433.49	3,485.51
Communications	806,792.00	778,799.19	27,992.81	753,926.00	688,339.39	65,586.61
Flood Warning	27,500.00	27,500.00	0.00			
Public Works:						
Highways and Bridges:						
Roads and Bridges				6,178,303.00	5,758,722.29	419,580.71
Ordinance Enforcement	54,171.00	42,252.20	11,918.80			
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,203,581.00	969,434.60	234,146.40			
Catastrophic Hospital	94,376.00	84,347.00	10,029.00			
Health Assistance:						
Nursing Contract	43,260.00	43,260.00	0.00			
Health Clinic	50,000.00	50,000.00	0.00			
Ambulance Contracts	7,927.00	7,927.00	0.00			
Social Services	16,815.00	16,815.00	0.00	52,000.00	46,831.50	5,168.50

Mental Health Services:						
Mentally Handicapped	550,524.00	541,896.90	8,627.10			
Drug and Alcohol Prevention	87,449.00	85,089.87	2,359.13			
Detoxification Unit	1,466,738.00	1,463,822.74	2,915.26			
Mental Health Center	97,421.00	97,421.00	0.00			
Culture and Recreation:						
Culture:						
Public Library				300,000.00	257,206.00	42,794.00
Central States Fair	160,000.00	60,000.00	100,000.00			
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	65,655.00	65,562.38	92.62			
Soil Conservation Districts	50,461.00	50,461.00	0.00			
Weed and Pest Control	210,192.00	203,966.49	6,225.51			
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	331,591.00	309,277.43	22,313.57			
Drainage	90,000.00	26,200.00	63,800.00			
Economic Development	16,500.00	16,500.00	0.00			
Debt Service:						
Principal	663,812.00	647,110.33	16,701.67	860,992.00	815,824.45	45,167.55
Interest	133,403.00	133,358.95	44.05	245,694.00	245,439.01	254.99
Other Debt Service	3,500.00	3,086.99	413.01	5,000.00	3,800.00	1,200.00
Total Expenditures	27,095,648.52	25,503,298.58	1,592,349.94	9,354,666.63	8,434,975.86	919,690.77
Other Financing Sources (Uses):						
Operating Transfers In				1,489,309.00	1,489,309.00	0.00
Sale of Fixed Assets	2,000.00	3,846.63	1,846.63	0.00	179,750.00	179,750.00
Operating Transfers Out	(2,489,309.00)	(2,489,309.00)	0.00	(500,000.00)	(500,000.00)	0.00
Total Other Financing Sources (Uses)	(2,487,309.00)	(2,485,462.37)	1,846.63	989,309.00	1,169,059.00	179,750.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,947,396.52)	1,109,933.23	3,057,329.75	(308,192.00)	1,714,170.57	2,022,362.57
Other Changes in Fund Balance:						
Changes in Inventory of Reserves	0.00	(276.02)	(276.02)	0.00	(159,442.39)	(159,442.39)
Fund Balance, January 1, 2002	10,121,673.81	10,121,673.81	0.00	7,520,223.44	7,520,223.44	0.00
FUND BALANCE, DECEMBER 31, 2002	$ 8,174,277.29	$ 11,231,331.02	$ 3,057,053.73	$ 7,212,031.44	$ 9,074,951.62	$ 1,862,920.18

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2002
(continued)

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Miscellaneous Revenue:			
Investment Earnings	$ 0.00	$ 28,122.94	$ 28,122.94
Expenditures:			
Public Safety:			
Law Enforcement:			
Sheriff	250,000.00	53,402.00	196,598.00
Jail	250,000.00	172,828.00	77,172.00
Culture and Recreation:			
Central States Fair	2,425,000.00	2,463,351.82	(38,351.82)
Debt Service:			
Other Debt Service	75,000.00	74,947.53	52.47
Total Expenditures	3,000,000.00	2,764,529.35	235,470.65
Other Financing Sources (Uses):			
Operating Transfers In	0.00	1,500,000.00	1,500,000.00
Debt/Bond Proceeds	0.00	3,580,000.00	3,580,000.00
Total Other Financing Sources (Uses)	0.00	5,080,000.00	5,080,000.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(3,000,000.00)	2,343,593.59	5,343,593.59
Fund Balance, January 1, 2002	0.00	0.00	0.00
FUND BALANCE, DECEMBER 31, 2002	$ (3,000,000.00)	$ 2,343,593.59	$ 5,343,593.59

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2002

	Proprietary Fund Types		
	Enterprise Funds	Internal Service	Component Unit
Operating Revenue:			
Federal Grants	$	$	$ 6,833,879.00
Charges for Goods and Services	803,604.39		1,279,747.00
Contributions		2,142,433.00	
Refund		3,442.64	
Miscellaneous			137,916.00
Total Operating Revenue	803,604.39	2,145,875.64	8,251,542.00
Operating Expenses:			
Personal Services		(261,606.57)	
Interest and Fiscal Expenses			(94,972.00)
Depreciation	(329,038.04)		(1,132,259.00)
Benefit Payments		(1,580,504.34)	(4,644,602.00)
Operating Expenses			(2,004,232.00)
Total Operating Expenses	(329,038.04)	(1,842,110.91)	(7,876,065.00)
Operating Income (Loss)	474,566.35	303,764.73	375,477.00
Nonoperating Revenue (Expense):			
Investment Earnings	208.86	23,763.89	88,817.00
Interest and Fiscal Expenses	(215,545.28)		
Total Nonoperating Revenue (Expense)	(215,336.42)	23,763.89	88,817.00
Net Income (Loss)	259,229.93	327,528.62	464,294.00
Retained Earnings, January 1, 2002	3,438,438.83	43,476.64	16,253,555.00
Adjustments:			
Prior Period Adjustment			10,971.00
RETAINED EARNINGS, DECEMBER 31, 2002	$ 3,697,668.76	$ 371,005.26	$ 16,728,820.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2002

	Proprietary Fund Types		
	Enterprise Funds	Internal Service	Component Unit
Cash Flows from Operating Activities:			
Operating Income/Loss	$ 474,566.35	$ 303,764.73	$ 375,477.00
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	329,038.04		1,132,259.00
Increase (Decrease) in Accounts Payable		59,402.31	110,569.00
Increase (Decrease) in Other Liabilities			491,295.00
(Increase) Decrease in Accounts Receivable			170,253.00
(Increase) Decrease in Other Assets			6,340.00
Other Changes			70,144.00
Net Cash Provided (Used) by Operating Activities	803,604.39	363,167.04	2,356,337.00
Cash Flows from Capital and Related Financing Activities:			
Bond Payment	(640,000.00)		(102,970.00)
Interest Payment	(163,833.75)		
Purchase of Equipment			(881,102.00)
Total Cash Flows from Capital and Related Financing Activities	(803,833.75)	0.00	(984,072.00)
Cash Flows from Investing Activities:			
Net Interest Received	208.86	23,763.89	
Net Decrease in Investments			(749,122.00)
Total Cash Flows from Investing Activities	208.86	23,763.89	(749,122.00)
Net Increase (Decrease) in Cash and Cash Equivalents	(20.50)	386,930.93	623,143.00
Cash and Cash Equivalents at Beginning of Year	77.13	118,881.84	1,545,954.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 56.63	$ 505,812.77	$ 2,169,097.00

The notes to the financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the board of county commissioners.

The accounting policies of the county conform to generally accepted accounting principles as applicable to governments.

The Component unit reported is the Pennington County Housing and Redevelopment Commission and is a proprietary fund type organization that is legally separate from the county but is considered a part of the reporting entity because it is fiscally dependent upon the county in several key areas. The Pennington County Housing and Redevelopment Commission is the only component unit reported by the entity. The commission has a fiscal year ending March 31.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and seven generic fund types as follows:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital project funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds:

Enterprise funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Jail Compact Fund is the only enterprise fund maintained by the county.

Internal service funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Health Care Fund is the only internal service fund maintained by the county.

The enterprise fund does not apply any FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Trust and agency funds - trust and agency funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c. Fixed Assets and Long-Term Liabilities:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

The December 31, 2002 balance of general fixed assets all represent the original costs. The December 31, 2002 proprietary fund fixed assets all represent the original cost.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which are accrued at December 31, 2002 are highway billings, board of prisoners and other receivables from various departments of the county.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the board of county commissioners prepares and files with the county auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The board of county commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.

4. Before October first of each year the board of county commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the county auditor.

5. After adoption by the board of county commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the board of county commissioners.

   Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds and capital projects funds.

   The county did not encumber any amounts at December 31, 2002.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital projects funds.

10. Budgets for the General Fund and special revenue funds and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

The county follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The county deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The county's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2002 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 403,002.46
Uninsured, collateral jointly held by state's/ municipality's agent in the name of the state and the pledging financial institution.	15,195,752.92
Total Deposits	$ 15,598,755.38

The carrying amount of deposits on the December 31, 2002 balance sheet was $16,755,736.63.

At March 31, 2002, the component unit's deposits were classified as follows:

	Cost	Fair Value	Unrealized Depreciation
Public Housing Program			
Bank Certificates of Deposit	$ 245,000	$ 244,850	$ (150)
Money Market Accounts	113,797	113,797	
Section 8 Housing Choice Voucher Program			
Bank Certificates of Deposit	320,000	300,887	(19,113)
Money Market Accounts	570	570	
HOME Investments Partnerships Program			
Bank Certificate of Deposit	49,276	48,009	(1,267)
Money Market Accounts	2,676	2,676	
Bank Reserve Funds	53,564	53,564	
Bank Savings Accounts	11,763	11,763	
Rural Rental Assistance Payments Program			
Bank Certificate of Deposit	31,704	31,704	
Bank Reserve Funds	60,531	60,531	
Bank Savings Accounts	4,558	4,558	
Petty Cash	350	350	
Demand Deposits	1,897,063	1,897,063	
TOTAL	$ 2,790,852	$ 2,770,322	$ (20,530)

Investments - In general, SDCL 4-5-6 permits county funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value.

The entity's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

	Category 1	Fair Value
Goldman Sachs Financial Square Treasury Obligation	$ 2,272,504.15	$ 2,272,504.15
Morgan Stanley Government Securities	100,000.00	100,000.00
U.S. Government Securities:		
Federal Home Loan Bank	39,751.25	39,751.25
Federal National Mortgage Association	424,440.17	424,440.17
Government National Mortgage Association	503,421.44	503,421.44
Dain Rausher Certificates of Deposit	1,400,000.00	1,400,000.00
Subtotal	4,740,117.01	4,740,117.01
Mutual Funds:		
U.S. Government Fund - Wells Fargo		1,739,132.47
Dain Rauscher Mutual Fund		3,480,259.05
Morgan Stanley Mutual Fund		589,708.74
First American Government Treasury Obligation Fund:		
U.S. Bank		968.05
Total Investments		$ 10,550,185.32

Investments of the component unit are stated at fair value as of March 31, 2002 and consist of the following:

	Category 1	Fair Value	Unrealized Depreciation
Public Housing Program			
U.S. Government Obligations	$ 2,063,832	$ 1,981,330	$ (82,502)
Section 8 Housing Choice Voucher Program			
U.S. Government Obligations	606,924	609,380	2,456
Totals	$ 2,670,756	$ 2,590,710	$ (80,046)

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is average cost. Inventory in the special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

h. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

i. Cash Flows:

The county pools its cash resources for depositing and investing purposes. The proprietary funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The county is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation of the property in the county.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2002 is as follows:

	Balance 1/1/02	Additions	Deletions	Balance 12/31/02
Land	$ 794,775.23	$	$ (150,000.00)	$ 644,775.23
Buildings	22,308,889.10			22,308,889.10
Furniture and Equipment	3,087,633.01	163,729.80	(1,694,147.69)	1,557,215.12
Machinery and Auto Equipment	7,938,887.95	1,173,661.63	(228,468.92)	8,884,080.66
Other Fixed Assets	999,579.17			999,579.17
Construction in Progress		2,689,581.82		2,689,581.82
TOTAL	$ 35,129,764.46	$ 4,026,973.25	$ (2,072,616.61)	$ 37,084,121.10

Construction Work in Progress at December 31, 2002 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/02	Committed
Event Center	$ 4,569,164.00	$ 2,463,351.82	$ 2,105,812.18
Public Safety Building	*	53,402.00	
Jail Addition	*	172,828.00	
TOTAL	$ 4,569,164.00	$ 2,689,581.82	$ 2,105,812.18

* - See note #11.

4. CHANGES IN COMPONENT UNIT FIXED ASSETS

A summary of changes in component unit fixed assets for the year ended March 31, 2002 is as follows:

	Balance 4/1/01	Additions	Deletions	Balance 3/31/02
Land	$ 889,679.00	$	$	$ 889,679.00
Buildings	23,247,644.00	2,526,067.00		25,773,711.00
Furniture and Equipment	1,291,144.00		(871,441.00)	419,703.00
Leasehold Improvements	2,709,113.00			2,709,113.00
Construction in Progress	779,052.00		(779,052.00)	
Total	$ 28,916,632.00	$ 2,526,067.00	$ (1,650,493.00)	$ 29,792,206.00
Less Accumulated Depreciation	$ (13,680,038.00)	$ (1,126,731.00)	$	$ (14,806,769.00)
Net Component Unit Fixed Assets	$ 15,236,594.00			$ 14,985,437.00

5. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Installment Contract	Compensated Absences	Certificates of Participation	Tax Increment Financing	Total	Component Unit Long-Term Debt
Debt Payable, January 1, 2002	$ 1,589,444.27	$ 1,570,039.44	$ 7,270,000.00	$	$ 10,429,483.71	$ 2,961,422.00
New Issues			3,580,000.00	1,273,659.04	4,853,659.04	
Change in Compensated Absences		174,790.21			174,790.21	
Retired	(512,822.95)		(895,000.00)		(1,407,822.95)	(102,970.00)
Debt Payable, December 31, 2002	$ 1,076,621.32	$ 1,744,829.65	$ 9,995,000.00	$ 1,273,659.04	$ 14,050,110.01	$ 2,858,452.00

Debt payable at December 31, 2002 is comprised of the following:

Certificates of Participation Bonds:

Jail Compact Certificates – Interest rates from 3 percent to 5.75 percent – Maturity 6/1/2006 – Payable from the Jail Compact Fund (see following explanation)	$ 2,520,000.00
Western South Dakota Juvenile Detention Center – Interest rates from 4.25 percent to 6.6 percent – Maturing 5/1/13 - Payable from General Fund	$ 1,280,000.00
Western South Dakota Juvenile Detention Center, Series 2000 Interest rates from 4.5 percent to 5.4 percent – Maturing 5/1/13 – Payable from Courthouse Building Fund	$ 2,575,000.00
Event Center – Interest rates from 4.0 percent to 4.75 percent - Maturing 12/1/17 – Payable from Courthouse Building Fund	$ 3,580,000.00

Compensated Absences:

Accrued Leave Liability at December 31, 2002 Payment to be made by the fund that the payroll expenditures are charged to.	$ 1,744,829.65

Installment Contracts:

Master Equipment Lease – Norwest Investment Services - Purchase of various property and equipment – Interest rate of 5.6 percent to 5.97 percent – Maturity dates vary – Payable from General Fund. Maximum limit for the lease is $3,300,000	$ 817,412.32
Coyote Leasing – Highway Equipment – Interest rate of 6.14 percent – Maturity date 3/31/05 – Payable from Highway Fund	$ 259,209.00

Tax Increment Financing Debt:

2002 Bank Loan – Interest rate of 7 percent – Maturity 6/1/07 - Paid by Tax Increment District 2000-01	$ 1,273,659.04

The annual requirements to amortize all debt outstanding as of December 31, 2002, except for compensated absences but including interest payments of $3,450,123.49, are as follows:

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT
December 31, 2002

Year Ending December 31,	Installment Contract	Bonds Payable	Tax Increment Financing	TOTAL
2003	$ 544,522.66	$ 1,610,195.08	$ 250,000.00	$ 2,404,717.74
2004	460,859.15	1,613,256.00	350,000.00	2,424,115.15
2005	177,750.00	1,611,243.00	420,000.00	2,208,993.00
2006		1,209,897.50	420,000.00	1,629,897.50
2007		808,600.00	98,650.96	907,250.96
2008		807,097.50		807,097.50
2009		804,073.75		804,073.75
2010		804,143.00		804,143.00
2011		812,107.25		812,107.25
2012		793,274.25		793,274.25
2013		805,783.75		805,783.75
2014		339,625.00		339,625.00
2015		335,968.75		335,968.75
2016		341,718.75		341,718.75
2017		336,637.50		336,637.50
TOTAL	$ 1,183,131.81	$ 13,033,621.08	$ 1,538,650.96	$ 15,755,403.85

The Certificates of participation listed above are a refunding of debt issued by the Pennington County Building Authority for the purpose of constructing a jail facility. This jail facility will be leased by the Jail Compact with lease payments corresponding to the principal and interest due on the certificates.

The county has the authority to levy the maximum amount of taxes allowed in the county's Accumulated Building Fund. The revenues of this fund will be used to finance the costs of construction which exceed the amount raised by the certificates of participation and for the minimum payments for the use of the jail facility payable to the Jail Compact Fund.

Per the agreement signed by the county with the Jail Compact, the county is responsible for the operation and maintenance of the jail facility and will make minimum payments for the use of the jail facility equal to the amount of principal and interest due on the lease.

The funds established to account for the money held by the Building Authority and the Jail Compact are included in the financial statement of the county. Based on an analysis of GASB reporting standards, the Building Authority and the Jail Compact meet the definition of the reporting entity as county officials are the board of directors of the Building Authority and Jail Compact.

Upon full payment of the certificates of participation, the Jail Compact agreement will be terminated. Upon termination any assets held by the Compact will be conveyed to Pennington County.

6. TAX INCREMENTAL REVENUE FINANCING

During fiscal year 2000 the county created the Tax Increment Financing District 2000-01. On July 25, 2002, the county became party to a Tax Increment Revenue Note whereby the county borrowed $1,273,659.04 from a bank to payoff an existing loan used for property development. The county makes payments on the note with subsequent property taxes on Tax Increment District 2000-01. The note is reported as a liability on the county balance sheet, but the county is not personally liable for any note payments.

7. CONDUIT DEBT

In the past, the county has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the county, the State of South Dakota, or any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002, there were two series of conduit bonds outstanding, with an aggregate unpaid principal amount of $2,522,794.09.

8. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the county maintains only one enterprise fund which provides for the housing of prisoners services. The working capital (current assets minus current liabilities) of the Jail Compact Fund at December 31, 2002 is $41,180.24.

9. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The county's share of contributions to the SDRS for the fiscal years ended December 31, 2002, 2001, and 2000 were $1,007,976.40, $906,979.10 and $853,327.00, respectively, equal to the required contributions each year.

10. LITIGATION

At December 31, 2002, the county was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the county has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the county as a result of the potential outcome of these lawsuits.

11. SUBSEQUENT EVENTS

On February 11, 2003 the county approved a resolution relating to the lease-purchase of a $10 million jail and public safety building addition, and $2.52 million for refunding the outstanding series 1993 Certificates.

12. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2002, the county managed its risks as follows:

Employee Health Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental claims of county employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to $35,000 and any administrative costs relative to the processing of the claims. Medical and dental claims exceeding this amount are covered through private insurance carriers. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2002, the county had retained earnings in the amount of $371,005.26 in the Health Care Fund for the payment of future health and dental claims.

Liability Insurance:

The county joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide coverage for:

General Liability Coverage
Automobile Coverage
Errors and Omissions of Officials and Employees

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a $5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. The county carries a $2,500 deductible for the General Liability coverage, $2,500 to $4,000 deductible for Errors and Omissions coverage and $500 deductible for the Automobile coverage.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation:

The county joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first $250,000 of any claim per individual. The pool has reinsurance which covers up to $10,000,000 per individual per incident.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The county provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

13. ACCOUNTING PRINCIPLES CHANGE

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 establishes

new requirements for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the county, GASB No. 34 implementation is first required for the calendar year ending 2003. The effect of the implementation of GASB No. 34 on the financial statements of the county has not yet been determined.

14. PRIOR PERIOD ADJUSTMENTS

Retained earnings of the Section 8 Housing Choice Voucher and the Section 8 MOD Rehab Programs of the component unit have been restated at the beginning of the year for the following:

Section 8 Housing Choice Voucher Program:	
Administration Fees from HUD received	$ 10,943
Section 8 MOD Rehab Program:	
Administration Fees from HUD received	28
TOTAL	$ 10,971

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2002

Board of Commissioners:

Ken Davis – Chairperson
James Kjerstad
Delores Coffing
Lyle Hendrickson
Gale Holbrook

Auditor:

Julie Pearson

Treasurer:

Janet Sayler

State's Attorney:

Glenn Brenner

Register of Deeds:

Donna Mayer

Sheriff:

Don Holloway

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended December 31, 2002

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2002
US Department of Agriculture:			
Schools and Roads Cluster:			
Indirect Federal Funding:			
SD State Auditor,			
Forest Apportionment--Schools and Roads--Grants to States (Note 2) (Note 3) (Note 4)	10.665		$ 1,162,005.86
Direct Federal Funding:			
Forest Service,			
Schools and Roads - Grants to Counties (Bankhead Jones) (Note 2) (Note 3)	10.666		8,406.66
Indirect Federal Funding:			
South Dakota State University,			
Cooperative Extension Services	10.500		4,679.57
SD Department of Education,			
Food Distribution			
Cost Value of Commodities Used, Jail	10.550		126.65
Cost Value of Commodities Used, JSC	10.550		149.37
School Breakfast Program (Note 2)	10.553		29,455.09
National School Lunch Program (Note 2)	10.555		68,498.76
Total US Department of Agriculture			1,273,321.96
Department of Housing and Urban Development:			
Indirect Federal Funding:			
SD Governor's Office of Economic Development,			
Community Development Block Grant (Note 3)	14.228		348,102.58
Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (Note 2) (Note 3)	15.226		475,414.00
Department of Justice:			
Direct Federal Funding:			
Bureau of Justice Assistance,			
Local Law Enforcement Block Grants Program	16.592		74,263.25
State Criminal Alien Assistance Program	16.606		12,286.00
Bullet Proof Vest Partnership Program	16.607		5,447.00
Office of Community Oriented Policing Services,			
Public Safety Partnership and Community Policing Grants	16.710		243,896.00
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Accountability Incentive Block Grants	16.523		191,403.62

SD Association of County Commissioners,			
Juvenile Justice and Delinquency Prevention	16.540		18,761.02
SD Department of Social Services,			
Crime Victims Assistance	16.575	VOCA-02-45	25,114.00
Crime Victims Assistance	16.575	VOCA-03-45	8,875.80
Violence Against Women Formula Grants	16.588	STOP-02P-36	72,310.50
Violence Against Women Formula Grants	16.588	STOP-03P-36	23,690.00
SD Department of Commerce,			
Enforcing Underage Drinking	16.727		4,027.00
Total Department of Justice			680,074.19
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus			
Personal Property (Note 5)	39.003		7,953.91
Federal Emergency Management Agency:			
Indirect Federal Funding:			
SD Department of Military & Veterans' Affairs,			
Emergency Management Performance Grants	83.552		42,660.35
Other Federal Assistance:			
Direct Federal Funding:			
Department of Interior,			
US Fish and Wildlife Services			
National Fish and Wildlife Foundation			
Challenge Grant	15.999		13,000.00
Department of Justice,			
Federal Equitable Sharing Agreement	16.999		2,513.31
Indirect Federal Funding:			
SD Attorney General,			
High Intensity Drug Trafficking Area	7.999		121,660.21
Total Other Federal Assistance			137,173.52
GRAND TOTAL			$ 2,964,700.51

Note 1: The schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads Grants to States	10.665	$ 579,045.10

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
WESTERN SOUTH DAKOTA REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2002

Beginning Balance - January 1, 2002		$ 0.00
Revenues:		
School Lunch Program	97,953.85	
Pennington County	974,622.90	
Butte County	34,914.25	
Harding County	10,803.00	
Lawrence County	124,471.24	
Meade County	117,965.85	
Custer County	44,858.97	
Fall River County	46,843.87	
Room and Board - Other Counties	170,805.00	
Room and Board - State	245,366.25	
Room and Board - Federal	1,419,052.79	
Fees and Charges	30,176.40	
Pay Phone Charges	19,481.76	
Total Revenues		3,337,316.13
Expenditures:		
Salaries	2,005,386.43	
OASI	148,690.77	
Retirement	154,745.43	
Workman's Compensation	29,727.08	
Group Insurance	128,517.29	
Liability Insurance (Auto)	36,001.47	
Service and Fees	164,575.56	
Repairs and Maintenance	17,282.12	
Supplies	68,469.72	
Training and Travel	11,158.02	
Utilities	8,256.41	
Food Service	97,424.05	
Data Processing	3,363.04	
Furniture and Equipment	50,880.68	
Medical Supplies	11,608.92	
Maintenance (Buildings and Grounds)	193,283.96	
Total Expenditures		3,129,370.95
Excess of Revenues Over Expenditures		207,945.18
Refund Checks to Participating Counties		207,945.18
Ending Balance - December 31, 2002		$ 0.00

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
DETOX
For the Year Ended December 31, 2002

Revenues:	
City of Rapid City	$ 175,982.35
State of South Dakota	608,413.60
Charges/Fees	95,445.19
Other Counties	43,731.00
Pennington County	193,053.08
Homeless	21,960.00
JSC	38,524.25
Work Release	14,866.50
DWI Assessment	45,580.00
Federal Board of Prisoners	226,266.77
Total Revenues	1,463,822.74
Expenditures:	
Salaries	967,381.99
OASI	71,181.16
Retirement	51,673.35
Workman's Compensation	6,649.63
Group Insurance	67,533.83
Liability Insurance	2,800.00
Service and Fees	74,669.73
Maintenance	6,389.28
Supplies	46,707.61
Travel	11,860.86
Utilities	26,429.06
Food Service	48,501.66
Furniture and Equipment	67,972.93
Training	3,413.00
Medical	10,658.65
Total Expenditures	1,463,822.74
EXCESS OF REVENUES OVER EXPENDITURES	$ 0.00

APPENDIX C

FORM OF BOND COUNSEL OPINION

(THIS PAGE INTENTIONALLY LEFT BLANK)

LINDQUIST & VENNUM P.L.L.P.

4200 IDS CENTER
80 SOUTH EIGHTH STREET
MINNEAPOLIS, MN 55402-2274
TELEPHONE: 612-371-3211
FAX: 612-371-3207

IN ST. PAUL:
444 CEDAR STREET, SUITE 1700
ST. PAUL, MN 55101-3157
TELEPHONE: 651-312-1300
FAX: 651-223-5332

IN DENVER:
600 17TH STREET, SUITE 1800 SOUTH
DENVER, CO 80202-5441
TELEPHONE: 303-573-5900
FAX: 303-573-1956

ATTORNEYS AT LAW

www.lindquist.com

March ___, 2004

$_____

CERTIFICATES OF PARTICIPATION
EVIDENCING UNDIVIDED INTERESTS IN
LEASE PAYMENTS TO BE MADE BY THE
WESTERN SOUTH DAKOTA JUVENILE SERVICES CENTER COMPACT
PURSUANT TO A LEASE AGREEMENT WITH
PENNINGTON COUNTY

We have acted as Bond Counsel in connection with the issuance of $_____ Certificates of Participation (the "Certificates") in the Lease Agreement (as hereinafter defined), between Western South Dakota Juvenile Services Center Compact (the "Compact"), as lessee, and Pennington County (the "County"), as lessor. In that regard we have examined: (i) a Lease Agreement, dated as of October 1, 1994, as amended and supplemented by the First Amendment to Lease Agreement, dated as of November 1, 2000, and the Second Amendment to Lease Agreement, dated as of February 1, 2004 (the "Lease Agreement") between the Compact and the County; (ii) a Trust Agreement, dated as of October 1, 1994, as amended and supplemented by the First Supplemental Trust Agreement, dated as of November 1, 2000, and the Second Supplemental Trust Agreement, dated as of February 1, 2004 (the "Trust Agreement"), between the County and U.S. Bank National Association (the "Trustee"); (iii) a Western South Dakota Juvenile Services Center Compact Agreement (the "Compact Agreement"), dated as of August 6, 1993, by and among the County and the Counties of Lawrence, Meade, Butte, Custer, Fall River and Harding, South Dakota (the "Participants"); (iv) the form of the Certificates; (v) a certified transcript of the proceedings had by the County and the Compact relating to the Certificates and authorizing the execution and delivery of the Trust Agreement; (vi) the opinion of Glenn Brenner, Deputy State's Attorney, Counsel for the County and the Compact, with respect to the due authorization and execution of documents on behalf of the County and the Compact; (vii) a non-arbitrage certificate relating to the Certificates; (viii) certified copies of such other documents, certificates and opinions relating to such other showings as we have deemed necessary or appropriate.

As to questions of fact material to our opinion, we have relied, without undertaking to verify the same by independent investigation, upon representations, covenants and certificates of the County and the Compact and certain other officials and persons as contained in the documents and certified proceedings described above.

(1) The Compact is empowered by laws of the State of South Dakota, the Compact Agreement, and its Articles of Incorporation to enter into the Lease Agreement on behalf of the Participants and the County.

(2) The Lease Agreement has been duly and validly authorized, executed and delivered by the Compact and the County and, is a valid instrument binding on the parties thereto, and enforceable in accordance with its terms except to the extent to which enforceability may be limited by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights.

(3) The Certificates evidence proportionate interests in the right to receive Lease Payments (as defined in the Lease Agreement) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement.

(4) By the Trust Agreement, the County has assigned and conveyed to the Trustee, as security for the Certificates, all of the County's interest in the Lease Agreement, including the Lease Payments to be made thereunder to the County by the Compact. The Certificates are equally and ratably secured by the Trust Agreement and entitled to the benefits thereof.

(5) By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease Agreement, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease Agreement, and to take all actions necessary to provide moneys for payment of its obligations under the Lease Agreement, including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

(6) The County has designated the Lease Agreement as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Lease Agreement and the Certificates for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if the Lease Agreement and the Certificates were acquired on August 7, 1986.

(7) The interest component of the Lease Payments payable by the Compact under the Lease Agreement and received by the owners of the Certificates under the Second Supplemental Trust Agreement is not includable in gross income of the recipient for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except as described. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in

adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other federal or state tax consequences related to the accrual or receipt of interest represented by the Certificates.

The opinions expressed in paragraphs 6 and 7 above are subject to the condition of the County's compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that the interest component of the Lease Payments may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of the interest component on the Lease Payments in federal gross income, retroactive to the date of issuance of the Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Certificates.

Dated this ___ day of March, 2004.

LINDQUIST & VENNUM P.L.L.P.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

DEFINITIONS OF CERTAIN TERMS

(THIS PAGE INTENTIONALLY LEFT BLANK)

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain of the words and terms used in this Official Statement.

1994 Certificates means the $1,835,000 Juvenile Services Center Certificates of Participation Evidencing Undivided Interests in Lease Payments to be Made by the Western South Dakota Juvenile Services Center Compact Pursuant to the Lease Agreement with Pennington County.

2000 Certificates means the $2,915,000 Juvenile Services Center Certificates of Participation Evidencing Undivided Interests in Lease Payments to be Made by the Western South Dakota Juvenile Services Center Compact Pursuant to the Lease Agreement with Pennington County.

2004 Certificates means the $1,160,000* Juvenile Services Center Certificates of Participation Evidencing Undivided Interests in Lease Payments to be Made by the Western South Dakota Juvenile Services Center Compact Pursuant to the Lease Agreement with Pennington County.

Act of Bankruptcy means any of the following events:

(i) The lessee under any Lease shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the lessee under any Lease or of all or a substantial part of its property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (e) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the lessee under any Lease, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the lessee under any Lease, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the lessee under any Lease, or (e) similar relief in respect of the lessee under any Lease, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within ninety (90) days of the filing thereof.

Additional Certificates means Certificates, as described in the Trust Agreement, issued for the purposes described in the Trust Agreement.

Authorized Newspapers means a financial paper or a newspaper of general circulation in Minneapolis or St. Paul, Minnesota printed in the English language.

Authorized Officer when used with respect to the Corporation, means the President or any other person who is designated in writing by the President as an Authorized Officer of the Corporation and, when used with respect to the County, means the Chairman of the Board of Commissioners of the County or any other person who is designated in writing by the Chairman as an Authorized Officer of the County and, when used with respect to the Compact, means the President or any other person who is designated in writing by the President as an Authorized Officer of the Compact and, when used with respect to the Trustee, means a Trust Officer of the Trustee or any other person who is designated in writing by a Trust Officer as an Authorized Officer of the Trustee.

Bond Counsel means Lindquist & Vennum P.L.L.P., or an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds,

notes and other obligations issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

Business Day means any day upon which banks located in the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Certificates means, collectively, the 1994 Certificates, the 2000 Certificates, the 2004 Certificates and any Additional Certificates.

Code means the Internal Revenue Code of 1986, as amended. All references herein to sections of the Code are to sections thereof as they exist on the date of execution of this instrument, but include any amendment of the provisions thereof to the extent applicable.

Compact means the Western South Dakota Juvenile Services Center Compact, a nonprofit corporation under the laws of the State, created pursuant to the Compact Agreement.

Compact Agreement means the Western South Dakota Juvenile Services Center Compact Agreement dated as of August 6, 1993 by and among the County and the Participants.

Construction Account means the Construction Account established in the Trust Agreement.

Construction Costs means all costs of payment of, or reimbursement for, acquisition, construction, installation and financing of the Improvements, including but not limited to, administrative costs, engineering costs, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of obtaining title insurance or a title opinion, if any, printing costs, reproduction and binding costs, legal fees and charges, professional consultant fees, and charges and fees in connection with the foregoing.

Costs of Issuance means all fees and expenses incurred in connection with the issuance of the Certificates, including, but not limited to, costs of preparing and printing the Certificates, the Trust Agreement, the Lease, the Official Statement relating to the Certificates, and documents; legal fees; Rating Agency fees; financial advisor's fees; and the Trustee's initial fees.

County means Pennington County, South Dakota.

Disbursement Request means a request as provided in the Trust Agreement.

Escrow Account means the Escrow Account established in the Trust Agreement.

First Amendment to Lease means the First Amendment to Lease Agreement, dated as of November 1, 2000, between the County and the Compact.

First Supplemental Trust Agreement means the First Supplemental Trust Agreement, dated as of November 1, 2000, by and between the Trustee and the County.

Government Obligations means the obligations described in clauses (i) and (ii) of the definition of Permitted Investments.

Improvements means the buildings, structures and improvements now or hereafter located on the Land.

Independent Accountant means a certified public accountant or firm of certified public accountants registered and qualified to practice as such under the laws of the State, and not regularly employed by the County, the Corporation or the Compact, except to perform independent audits of the books and records of the County, the Corporation or the Compact or other similar periodic reviews.

Independent Counsel means an attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of the County, the Compact or the Corporation.

Interest means the portion of any Lease Payment designated as and comprising interest as described in Exhibit B attached to the Original Lease, Exhibit A to the First Amendment to Lease and Exhibit A to the Second Amendment to Lease.

Interest Payment Date means any of the dates for scheduled payments of Interest as shown on Exhibit B to the Original Lease, Exhibit A to the First Amendment to Lease and Exhibit A to the Second Amendment to Lease.

Land means the real property described in the Lease.

Lease means the Original Lease, as amended and supplemented by the First Amendment to Lease and the Second Amendment to Lease Agreement.

Lease Payment means the Lease Payment required to be paid semi-annually under the Lease three (3) business days prior to each May 1 and November 1.

Net Proceeds means any insurance proceeds paid with respect to the improvements, remaining after payment therefrom of all expenses incurred in the collection thereof.

Original Lease means the Lease Agreement, dated as of October 1, 1994, between the County and the Compact.

Original Trust Agreement means the Trust Agreement, dated as of October 1, 1994, as amended and supplemented by the First Supplemental Trust Agreement, dated as of November 1, 2000 and the Second Supplemental Trust Agreement, dated as of February 1, 2004 between the County and the Trustee.

Original Purchaser means, with respect to any series of Certificates, the bank, investment banker, bond dealer or other Person who acts as underwriter or otherwise purchases those Certificates from the County; the Original Purchaser of the 2004 Certificates is RBC Dain Rauscher Inc. of Minneapolis, Minnesota.

Outstanding when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered except: (1) any Certificate canceled or fully paid by the Trustee at or before said date; (ii) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to a Trust Agreement; and (iii), for the sole purpose of determining the percentage of Certificate Owners consenting to an amendment to a Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy under a Trust Agreement, any Certificate owned by the Compact (with respect to the Certificates) or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes Certificates owned by the Compact (with respect to the Certificates) or any such entity which are not described in paragraphs (i) and (ii) shall be treated as Outstanding under the Trust Agreement.

Owner or Certificate Owner or Owner of Certificates or any similar term when used with respect to the Certificates, means the registered owner of any Outstanding Certificate.

Participants means the Counties of Lawrence, Meade, Butte, Custer, Fall River and Harding.

Permitted Investments means, to the extent permitted by applicable law:

(i) bonds or interest-bearing notes or obligations of the United States of America, or those for which the full faith and credit of the United States of America are pledged for the payment of principal and interest.

(ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States of America.

(iii) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act; stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended; bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation.

(iv) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, if such obligations are rated in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service, Inc.

(v) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System.

(vi) negotiable certificates of deposit issued by a national or state chartered bank which are fully insured by the Federal Deposit Insurance Corporation.

(vii) shares in any investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are Government Obligations and repurchase agreements fully secured by Government Obligations.

Project means the acquisition, construction, installation and improvement of the Improvements on the Land.

Purchase Price means, as of any date, the amount of all unpaid Lease Payments due under a Lease.

Record Date means the 15th day of the calendar month next preceding any Interest Payment Date, regardless whether such day is a Business Day.

Redemption Account means the Redemption Account established in the Trust Agreement.

Register means the Certificate Register maintained by the Trustee pursuant to Trust Agreement.

SDCL means South Dakota Codified Laws.

Second Amendment to Lease Agreement means the Second Amendment to Lease Agreement, dated as of February 1, 2004, between the County and the Compact.

Second Supplemental Trust Agreement means the Second Supplemental Trust Agreement, dated as of February 1, 2004, by and between the Trustee and the County.

State means the State of South Dakota.

State and Federal Laws means the Constitution and any law of the State and any rule or regulation of any agency or political subdivision of the State; and any law of the United States of America, and any rule or regulation of any federal agency.

Term of the Lease or Lease Term means the period during which a Lease is in effect.

Trust Agreement means the Original Trust Agreement, as amended by the First Supplemental Trust Agreement and the Second Supplemental Trust Agreement and any amendment thereof or supplement thereto.

Trust Fund means the trust fund created in the Trust Agreement.

Trustee means U.S. Bank National Association, as trustee under the Trust Agreement.

Trustee Prime Rate means the rate of interest publicly announced by the Trustee from time to time as its reference rate.

(THIS PAGE INTENTIONALLY LEFT BLANK)